Annual Report

Ingenta plc

For the year ended

31 December 2017

Registered number: 837205

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The Directors submit to the members their report and accounts of the Group for the year ended 31 December 2017. Pages 1 to 19, including the Chairman's statement, Corporate governance statement and Directors' remuneration report, form part of the Directors' report.

Directors and advisers

Executive Directors

D R Montgomery, Chief Executive Officer
J R Sheffield, Chief Financial Officer

Non-Executive Directors

M C Rose, Chairman
M A Rowse
N W Kirton
M M E Royde
B H Holmström

Company Secretary

J R Sheffield

Registered Office

8100 Alec Issigonis Way
Oxford
OX4 2HU

Auditor

Grant Thornton UK LLP
Registered Auditor
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Banker

HSBC plc
70 Pall Mall
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Solicitor

Memery Crystal LLP
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Registrar

Link Asset Services
The Registry
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BR3 4TU

Nominated Adviser

Cenkos Securities plc
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EC2R 7AS

Highlights

- Profit from operations up 29% to £0.9m (2016: £0.7m).
- Adjusted EBITDA* up 8% to £1.4m (2016: £1.3m).
- Acquired Advertising business delivering good results to the Group.
- Profit from operations is calculated after Research & Development spend of £2.1m (2016: £2.2m).
- Restructuring costs declined to £0.3m (2016: £0.6m).
- Basic earnings per share of 5.82p (2016: 6.03p).
- Net cash at year end of £2.1m (2016: £2.0m).
- Cash inflow from operations £0.4m (2016: outflow of £0.5m).
- Dividend of 1.5 pence per share proposed (2016: 1 pence).

*Adjusted EBITDA – earnings before interest, tax, depreciation, amortisation, gains / losses on revaluation, restructuring costs and foreign exchange gains / losses. A calculation is provided in note 6 to the accounts.

Board members

M C Rose
Chairman

N W Kirton
Non-Executive Director

M A Rowse
Non-Executive Director

B H Holmström
Non-Executive Director

M M E Royde
Non-Executive Director

D R Montgomery
CEO

J R Sheffield
CFO

G S Winner
COO

J Teitelbaum
Managing Director, Vista

K Layland
EVP Business Development

Management team

Ingenta Products

Ingenta Commercial

The Ingenta Commercial framework provides a range of applications designed to move your content forward in today's marketplace, combining the best business solutions for both print and digital products.

- Royalties
- Permissions
- Editorial and Production
- Online Sales & Marketing
- Digital & Print Distribution
- Subscription Management

Ingenta Content

Our Ingenta suite of hosting platforms enable publishers of any size, discipline or technical proficiency to convert, store, deliver and monetise digital content.

- Online Platforms
- Semantic Enrichment
- Mobile
- E-commerce
- Access Entitlement

Ingenta Advertising

Our advertising solution is a complete, browser-based multimedia advertising, CRM and sales management platform for content providers. With the ability to sell and track digital and print ads in a single system, maximise the value of your audience with streamlined ad sales, packaged ad buys and multi-channel campaigns, generating new revenues from previously untapped sources.

- Multimedia bookings
- Packages and bundles
- Inventory management
- Finance/credit control
- CRM

The Ingenta Audience data management platform (DMP) processes enriched data to gain valuable insights on your users. These insights empower advertisers to ensure that their creative advertising campaigns reach and engage with their target audiences.

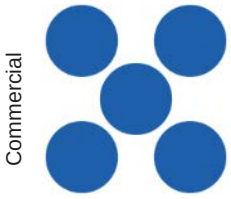
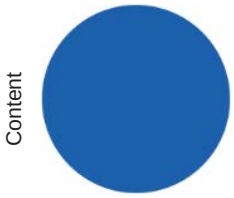
Ingenta Services

Publishers Communication Group

Publishers Communication Group (PCG), is an internationally recognised sales and marketing consulting firm providing a range of services designed to support and drive clients' sales strategy. PCG has advocated for scholarly publications and digital content around the world for over a quarter of a century.

The Ingenta suite of products has been developed to mirror the needs and anticipate the future direction of global content providers. Many of world's leading publishers turn to Ingenta to advance their content strategies. We can assist clients every step of the way, from editorial acquisition through to the end-user, with our premier asset management systems, sales and marketing consulting, and digital hosting platforms.

Ingenta Product Families offer a choice of deployment models: Enterprise or GO!

Product family	Product	Implementation Methodology	
		Enterprise	GO!
 Commercial	Ingenta Rights	●	●
	Ingenta Royalties	●	●
	Ingenta Product Manager	●	●
	Ingenta Order to Case	●	
	Vista	●	
 Content	Ingenta CMS	●	●
	Ingenta Connect	●	
	Ingenta Open	●	
	Ingenta E-commerce	●	
Advertising	Ingenta Advertising	●	●
	Ingenta Audience	●	●

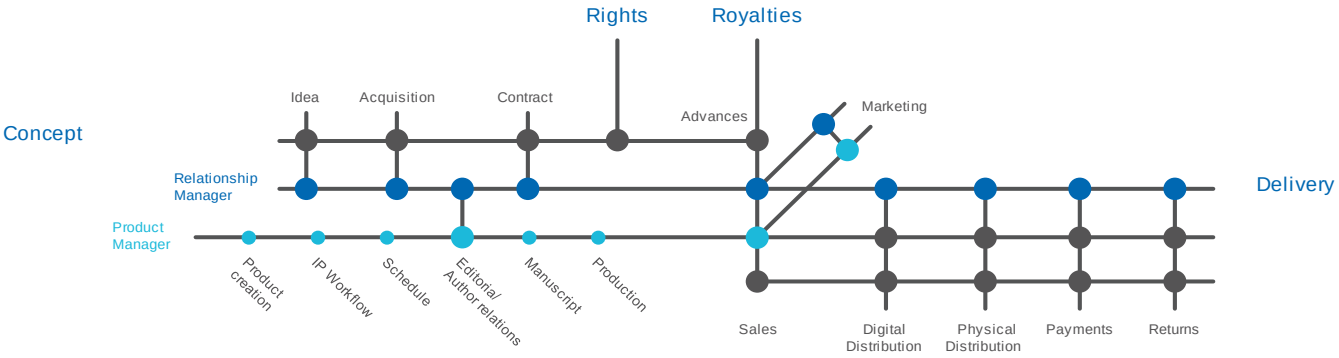
Enterprise deployments will be product-based but allow for bespoke changes and customisations to be made to the software. GO! deploys an "off the shelf" software package which allows the Group to sell at a lower price point with a standard implementation. GO! products have full capability with limited flexibility and are designed for publishers prepared to adapt their processes rather than customise the software. Ingenta has adopted best practices when defining the GO! offerings.

Ingenta Commercial

The Ingenta Commercial family of products are next generation solutions designed to enable publishers to exploit:

- All channels: both legacy book trade and emerging direct to consumer supply chains
- All paths to discovery: best in class metadata management, visibility and social commerce
- All revenue streams: collect micro-revenues many times over
- All business models: supporting fragments, bundles, rentals, pay-per-view, subscriptions, and samples
- All content: a truly agnostic enterprise system, not a bolt-on to print-based software

The Commercial product family includes the following solutions, which can be purchased separately, in any combination, or as a complete enterprise system:



Ingenta Product Manager

Ingenta Product Manager allows content providers to retain essential control and consistency of data by improving visibility, opening lines of communication, and streamlining the end-to-end lifecycle management of all types of content. The system manages assets along with editorial, production and marketing workflows with data transparency, unrivalled metadata management and a single version of the truth.

- Planning and acquisition
- Metadata management and distribution
- Scheduling and workflows
- Flexible and promotional pricing
- Profit and loss account engine

Ingenta Rights

Managing electronic rights, sub rights, fragments and permissions, Ingenta Rights ensures that content owners get the most from their assets, no matter the size, format, or fine details of the transaction.

- Real-time visibility of rights inventory
- Complete tracking of expiration, publication, and sales histories
- Support for chapter, image, and fragment sales
- Full downstream management of rights income

In addition, Ingenta Rights manages the full IP lifecycle, ensuring legal issues, from territorial rights and marketing obligations to supply chain management and insurance, are properly considered and consistently administered. Contracts management within Ingenta Rights underpins the system and enables consistency and compliance across your organisation, to avoid potentially costly disputes. Ingenta Rights enables data owners and users to confidently fulfil contractual obligations, decrease operating expenses and boost revenue potential with a complete intellectual property system which leverages rights, royalties and permissions compliance with accurate cash flow forecasting, multicurrency calculations and tracking across various products and content types.

Ingenta Royalties

The Ingenta Royalties application enables publishers to calculate complex royalties quickly, easily and with confidence, and provides authors with a self-service interface. This allows publishers to better serve their authors, contributors, illustrators, and other rights owners from initial contract to final payment. The Ingenta Royalties solution is considered the only system on the market able to handle the complexities and nuances of today's most creative deals.

- Complex royalty calculations
- Support for multiple currencies and international tax reporting
- Streamlined operations and cash flow forecasting
- Improved author care with user-friendly interface

Ingenta Order to Cash (OtC)

The Order to Cash application allows publishers to package, market, sell and deliver content in the formats that readers demand, where and when they seek it. OtC has the range and depth of features necessary to integrate the delivery of diverse product types and billing methods via multiple channels, including e-books, online subscriptions, social commerce, digital access, downloads and service billing, while providing full support for print and physical products.

Vista

Vista, a legacy enterprise level product family, provides a range of applications enabling Book Fulfilment, Subscription Management, Third Party Distribution and Royalties Management, delivered through several managed services, including:

- Applications Implementation Services (AIS)
- Applications Support and Updates (ASU)
- Applications Management Services (AMS)
- Applications Hosting Services (AHS)

Ingenta Content

The Ingenta Content suite of products enable publishers of any size, discipline or technical proficiency to convert, store, deliver and monetise digital content.

The Content team have won 10 new clients in 2017 and this success has been augmented by the widened product offering which now includes a full Content Management Solution (CMS) solution as well as a simpler GO! offering. The first sale of GO! was in South Africa where Ingenta has no local presence and the implementation was performed remotely. This has proven that GO! can be sold and deployed to a much wider audience which dramatically extends our addressable market. This deployment was also cloud based, meaning the solution is not reliant on our UK and USA hosting centres, which further enhances the market reach of the product.

Ingenta CMS

The Ingenta CMS platform is a custom hosting solution that supports and delivers all the information a data provider will publish. The result of a multi-year research and development program, our CMS solution has been built from the ground up using a powerful combination of industry standard architecture and semantic web technologies. Ingenta CMS maximises the visibility, usage, and value of publishers' content via semantic enrichment while optimising content licensing around flexible E-commerce and access controls regardless of format or type.

- Provides seamless access to all content in all its formats
- Harnesses semantic discovery and drives usage with intuitive routes into research
- Allows content to be repackaged easily to experiment with new business models
- Delivers content via desktop, tablet, or smartphone
- Uses sophisticated access control

Ingenta CMS GO!

A packaged solution for publishers looking to host their own branded site using standardised technology without the cost of a fully-customised interface. Ingenta CMS GO! is delivered from the Amazon cloud and shares the same underlying technology as Ingenta CMS.

- Cost-effective mid-point solution
- Reliable performance
- Fully-branded with publisher URL
- Flexible user experience, with full responsive design
- Indexing on Ingenta Connect for additional revenue potential

Ingenta Connect

Ingenta Connect hosts content for around 300 publishers and is the home of scholarly research. Academics and students from over 25,000 registered institutions around the world have access to tens of thousands of publications, leading to an average of 32 million page views per year, delivering 218,000 downloads per month. Our fully outsourced e-publishing package is a turn-key platform solution and a proven channel to get content online quickly, easily and affordably. On Ingenta Connect, there is a broad spectrum of cost-effective services to choose from, whether a publisher is taking content online for the first time, looking to increase revenues through online activity or thinking of creating a custom-branded website.

- Data conversion & enhancement
- Secure web hosting
- Flexible E-commerce
- Linking and distribution
- Ahead-of-publication solutions
- Continuous publishing models
- Collection bundling and Virtual Publication creation
- Archival Digitisation and delivery

Ingenta Open

Ingenta Open is a new portal from Ingenta; linked directly to Ingenta Connect. The concept behind it is simple – to be a single solution for all open access content. Ingenta Open consists of a supported content management system and discovery service, exclusively for open access content, implemented across a broad range of networks and repositories and facilitating access for researchers, students and the public Ingenta Open facilitates search and discovery both internally via a sophisticated content management system, and externally via publishers' own content management systems and institutional repositories. With a low-cost entry threshold for open access publishers seeking a supported content management system and a sustainable long-term business model, Ingenta Open carries the huge additional benefit for smaller publishers of dual hosting on Ingenta Connect, thereby opening discovery to over 1.8 million registered users and thousands of libraries.

Ingenta E-commerce

Ingenta E-commerce is a single solution that manages business models, access entitlement and cross-selling of products on multiple platforms. It can maximise existing content by creating new revenue streams at the touch of a button, allowing publishers to enhance profits from their existing intellectual property by empowering sales and marketing teams to pinpoint the needs of the digital customer, create content bundles and sell to specific customer groups whilst integrating online business models with back office legacy infrastructure.

Ingenta Advertising

Ingenta Advertising is a complete, browser-based multimedia advertising, CRM and sales management platform for content providers. With the ability to sell and track digital and print ads in a single system, publishers can maximise the value of their audience with streamlined ad sales, packaged ad buys and multi-channel campaigns, generating new revenues from previously untapped sources.

Ingenta Advertising manages

- CRM
- Multimedia bookings
- Packages and bundles
- Inventory management
- Traffic
- Finance/credit control

Features

- In-house and third-party CRM integration
- Finance production integrations
- Billing invoicing and accruals
- Receivables
- Print, digital and events bookings managed as single order
- Contact management
- Reporting, analysis and interactive dashboards
- Traffic and ad copy tracking
- Internal and external inventory management

Ingenta Audience, powered by Enreach, is the latest addition to the Ingenta Advertising ecosystem.

Combined with the Ingenta Advertising platform, Audience allows content and media managers to sell online newspaper and magazine advertising space by leveraging programmatic buying capability to reach “the right audience, with the right offer, at the right time”. The solution allows advertising channel media owners to generate data-driven revenue by collecting first party data and enriching it with segmentation to enable prediction and customisation capabilities to their advertising properties.

Publishers Communication Group

An Ingenta Company

Publishers Communication Group (PCG), an Ingenta company, is an internationally recognised sales and marketing consulting firm providing a range of services designed to support and drive clients' sales strategy. PCG has advocated for scholarly publications and digital content around the world for over a quarter of a century.

PCG sales, marketing and research professionals have executed successful campaigns, forged relationships with top global consortia and scrutinised the ever-changing academic marketplace on behalf of over 100 industry clients, generating more than $50 million for clients in sales. Established in 1990 and headquartered in Boston (USA) with offices in the UK, Brazil, Mexico, India and China, PCG's global presence continues to grow to better serve the needs of publishers. Drawing on the infrastructure of a world-leading provider, PCG manages strategic sales and marketing operations for publishers ranging including Mary Ann Liebert, The Royal Society of London, BioOne and Yewno, and conducts individual and repeat projects for dozens of other publishers around the world.

Experience

Now in its third decade, PCG has helped publishers launch sales and marketing efforts in new regions, shore up existing business, conduct market research and analysis, and negotiate lucrative consortia deals. Our established network of faculty, library selectors, consortia leaders and end-users, paired with our seasoned, multilingual sales teams makes us an ideal partner for a publisher of any size.

Connections

PCG team members have held positions at academic and medical libraries, subscription agents and publishers including, Wiley, Mango Languages, OCLC, Ingram, Lyraris, LexisNexis, the MIT Press, Elsevier, Cengage, NEJM, JBJS, Forrester Research, Sage, and Taylor & Francis, resulting in over 200 years of collective industry experience. Their extensive global network includes tens of thousands of library selectors from academic, corporate, medical libraries and consortia worldwide.

Trusted Partner

PCG clients include commercial publishers, non-profit associations and electronic services providers. Publishers trust that we will promote their content to the right people and in the most impartial manner possible by providing measurable results and explicit data to help justify marketing expenditure.

Global Reach

With offices in the US and UK in addition to Brazil, Mexico, India and China, PCG's multilingual team consistently develops new relationships with key decision-makers in twelve languages.

Chairman's statement

2017 Developments

After the successes of 2016 it is pleasing to announce the business has made further progress in 2017. After some key go-lives in the Commercial division, the Group now has a complete set of referenceable clients across the product range. The development of the simplified GO! offering has enabled us to cater for all client profiles and generate a wider market for the Group's solutions. The recently announced Sainsbury's deal for the Group's advertising product is an encouraging example of this with other opportunities being progressed in the wider media space. The more complex enterprise solutions have also performed well with strong project progress to date which is opening further opportunities for the business to explore.

Underpinning all this development is a fundamentally sound business with high levels of contracted recurring revenue and strong cost controls which will enable the Group to drive profitability into the future. The Group's long-term business combination plans and strategy to improve operational efficiency will be concluded later in 2018.

Results

The audited results for the year ended 31 December 2017 show good progress in terms of operating profit and cash generation. Operating profit is up £0.2m to £0.9m (2016: £0.7m) and cash balances up £0.1m to £2.1m (2016: 2.0m) showing the ongoing restructuring efforts are delivering a more efficient organisational structure.

The results from our joint venture in China have shown a considerable improvement in the second half of the year as management actions to refocus operations onto CMS products have taken effect. To further enhance the refocus, the Group is exploring strategic options for this operation, including a merger of the business and/or a disposal of the Group's interest. See note 3 for further details.

Elsewhere, the acquired Advertising business has performed well, gaining new business and delivering efficient project implementations.

Shareholders' returns and dividends

On the 26th January 2018, the Board proposed a court approved reduction of capital and invited shareholders to vote on the resolution at a General Meeting held on 19th February 2018. This resolution was successfully passed and at a Court hearing on the 27th March the reduction of capital was approved and became effective that day. As a result of this, the Company's distributable reserves have increased by £8,999K.

The Directors declared their intention to pay a dividend in 2018 of 1.5 pence per share (2017: 1 pence). This is subject to shareholder approval at the forthcoming AGM.

Outlook

As outlined previously, the product investment and hard work completed over the last 2 years to establish efficient operating procedures have laid the foundations for much improved operating performance in 2018 and beyond.

M C Rose
Chairman
28 March 2018

Group strategic report

2017 has been another successful year for Ingenta, building on the achievements of 2016 and setting the foundations for success in 2018.

Product Strategy

The decision to develop a simplified GO! offering for the Ingenta products has proved successful and will be an important factor in the strategy to target mid-tier customers. Previously, the product solutions were typically complex, bespoke software packages which required substantial development and implementation effort. GO! is a simplified and standardised solution that can be offered at a lower price point and be implemented in a shorter time scale. Full enterprise solutions will also be offered for larger clients, but it is clear these will have much longer sales and implementation cycles. The acquired Advertising business has provided the Group with a new software product in the advertising space though importantly also provides a customer base in the wider media, magazine and newspaper segment which will be focused on to drive cross selling opportunities.

A key objective for 2017 was to optimise operational practices with cross utilisation of resources across product lines. This has largely been achieved, though it is a continued focus. Offshore resources are being utilised, particularly when we need to market test emerging trends. Core development will remain within the onshore teams, as we believe this is the most productive way of incubating innovation.

Financial Performance

Group revenues for the year have decreased by £0.5m to £14.7m (2016: £15.2m). The reasons behind this were longer than anticipated sales cycles in new business wins and a restructuring of the revenue base towards fewer, more profitable contracts. Further details are included in the business unit review section below.

During 2016, the Group began a restructuring program and these actions have improved operating efficiency whilst also reducing ongoing costs. The full year benefit of this can be seen in 2017's improved cost of sales and administrative expense figures. Going forward, the business combination plans will continue as the Group seeks to maximise operational efficiencies. Included within administrative expenses are foreign exchange losses of £0.1m (2016: £0.3m profit) and revaluation gains of £0.2m (2016: nil). Most of the foreign exchange movements are unrealised and relate to translation of foreign currency cash balances. The revaluation gain relates to the lower estimated contingent payment for the acquisition of 5 Fifteen. At year end, this stands at £0.3m (2016 £0.5m) and is due to be paid 2 weeks after the accounts sign off date. Profit from operations has improved by £0.2m to £0.9m (2016: £0.7m)

The Group's 49% joint venture (JV) in China, Beijing Ingenta Digital Publishing Technology, contributed a loss in the year of £0.1m (2016 £0.2m profit). The first half of the year was hampered by enterprise project delays, but it returned to profitability in the second half as these projects were completed and the business re-focused on its core strength within content management solutions. Further details are in note 3.

A tax credit of £180K (2016: £150K) is included in the results for the year and relates to money expected to be received under the research and development tax credit scheme. The claim has been calculated in the same way as prior years and is subject to HMRC approval. Further details are in note 9.

Financial Position

Non-current assets within the Group include goodwill and intangibles created on acquisition of 5 Fifteen during 2016. The intangibles relate to the software technology acquired and were valued at £0.5m using a discounted cashflow model. These are being amortised over 5 years. £1.1m of goodwill was also recognised on consolidation of the 5 Fifteen business. This was tested for impairment using discounted cashflows. Further details are included in notes 11 and 12.

Current assets have decreased compared to 2016 because of a reduction in debtors. The main reason for this is the billing cycle of ongoing projects. In 2016, several project milestones were met at year end allowing invoices to be raised. In 2017, the ongoing projects have more regular billing profiles, so debtor peaks are less prevalent. Further details are shown in note 14.

Total liabilities have also declined compared to 2016. The main factors here are reductions in accruals and deferred income. Accruals have reduced as restructuring liabilities have been paid down and because of the downward revaluation of the 5 Fifteen contingent payment mentioned above. Deferred income has also declined as some customers move to periodic billing rather than annually in advance. Further details are shown in note 17.

Cashflow

At year end, the Group's cash balances have increased to £2.1m (2016: £2.0m). Operationally, the business is more efficient delivering work on time and to budget which enables timely billing and cash collection with cash inflows from operations standing at £0.4m compared to an outflow of £0.5m in 2016. The Group received a tax credit in the year of £0.1m (2016: £0.4m) and the estimate for 2017 is a for a further £0.2m, although this is subject to HMRC approval. The Company also paid its maiden dividend of 1 pence per share which amounted to £0.2m (2016: nil) and has declared its intention to pay a 1.5 pence dividend for the current financial year. This is subject to shareholder approval.

Business unit review

Ingenta Commercial

Ingenta Commercial provide enterprise level publishing management systems for both print and digital products.

The Commercial team have had 2 successful go-lives in 2017, one of which was for the divisions first “order to cash” module. This means all modules of the product set are now live and referenceable which will provide extra impetus to the sales effort in 2018. The other ongoing projects are progressing well with further go-lives planned during 2018 plus significant opportunities to expand the offering to these customers. The business now has a fully staffed sales team which is building a robust sales pipeline which encouragingly now includes targets outside of the traditional publishing sector.

Ingenta Content

The Ingenta Content suite of products enable publishers of any size, discipline or technical proficiency to convert, store, deliver and monetise digital content.

2017 has seen 3 customers go-live on Ingenta’s Content Management Solutions (CMS) with the products ranging from the simpler GO! solution right up to the more complex CMS offering. There is another major CMS implementation within the Non-Governmental Organisation arena which completed a staged go-live in the first quarter of 2018. This is proving to be a successful sector for the business with further deals expected to complete in early 2018. Ingentaconnect, the divisions content aggregation solution, also had a successful year adding 10 new customers to the platform. Development has also neared completion on an Open Access solution which will provide further opportunities for growth in 2018.

Ingenta Advertising

Ingenta Advertising provides a complete browser-based multimedia advertising, CRM and sales management platform for content providers.

2017 was the first full year of results for the Ingenta Advertising division since the 5 Fifteen business was acquired in July 2016. Revenues for the division have increased from £0.7m to £2.1m helped in part by a significant 5-year contract win in the Hearst group. Prior to acquisition, the 5 Fifteen advertising business operated predominantly in the newspaper and magazine space where is continues to serve a number of high profile customers. However, the division expects to announce a major new deal in the retail sector in early 2018 which demonstrates the flexibility of the system and its potential to successfully target a much wider market. We anticipate this trend continuing and accelerating as digital content producers look to monetise their digital channels.

PCG

The PCG consulting arm provides a range of services designed to support and drive a business’s sales strategy.

PCG has had a challenging year with a market trend of customers taking work in house and a general trend of downward price pressure. In response to this, the PCG division was restructured in 2017 so it could focus on a smaller number of accounts enabling it to provide better service levels to its customer base. This has meant a reduction in revenues compared to 2016 plus some additional restructuring costs. However, the business is now better placed for 2018 with a broad range of profitable client engagements to deliver on.

Key Performance Indicators

The Board and senior management review a number of KPI’s on an ongoing basis throughout the year. These are all part of the monthly management accounts process and include:

- Revenue versus budget and monthly reforecast at a Group and business unit level
- Adjusted EBITDA (see note 6 for calculation) versus budget at Group and business unit level
- Group cashflow versus budget
- Sales pipeline growth and conversion analysis

Any deviations or anomalies are investigated, and corrective action taken where appropriate.

Full year revenues were lower than management’s budget set at the start of the year, and lower than the prior year. One of the main reasons for this has been an elongated sales cycle, particularly for enterprise scale contracts. This has meant a number of new sales wins were delayed until later in the year and some have been pushed out into early 2018. However, contract negotiations are moving ahead positively, and management expect to be able to announce new deals in the first quarter of 2018. The sales and marketing team has also been restructured and training programmes initiated which has seen tangible improvements in lead generation and pipeline development. Management believe this has set the foundations for success in 2018.

Adjusted EBITDA numbers are included in the segmental information by business unit in the Group accounts. For the Group, these results were marginally down on budget which meant share options for the year did not vest. The delayed sales mentioned above impacted on EBITDA but the effects were mitigated by management actions taken during the year. Cost control measures were implemented, so that resourcing was kept in line with sales activity, and operational efficiencies identified which helped improve margins.

Year-end cash balances were in line with expectation and showed an improvement of £0.1m over the prior year.

The Group monitor sales activity with reference to monthly sales pipeline reports. These reports detail sales opportunities by business unit and sales person so that management can deploy resources adequately to ensure the best chances of success in the bidding process. When any items are removed from the pipeline due to either a successful sale or a lost opportunity, management carry out a detailed analysis to ensure the reasons are understood and any actions required are taken.

Risks and uncertainties

Sales risk

The major risks for future trading are converting sales of Ingenta CMS and the Commercial product suite (Ingenta Rights, Royalties, Product Manager and Order to Cash), and generating revenue within PCG. Most of the business costs are fixed in the medium-term, being people and premises costs, and therefore there is a risk to Group profitability when budgeted revenue is not delivered as cost reductions will lag behind revenue reductions. Management undertake detailed monthly revenue forecasting and assess risk on an ongoing basis. Procurement processes are more difficult to predict, and these may cause revenue movement though this is not a reflection of the applicability of our solutions.

Project risk

There are two principal project risks: risk of fixed priced projects running over and the risk on all projects where there is development required that we are unable to deliver to the specification agreed.

Fixed price projects risk relates to the accuracy of project estimates and the time it will take to complete the tasks as specified in the customer contract. Management mitigate this risk by hiring the best staff who are able to estimate projects accurately and by building in a contingency to fixed priced contracts. Management also closely monitor contracts to ensure all work performed is in accordance with the agreement and any new requests are separately contracted for. Management also mitigate the risk by taking on new projects on a time and materials basis wherever possible.

Projects requiring bespoke development also carry risk as the development is usually fixed price or discounted to encourage the customer to purchase the product and, in the knowledge, that any development will enhance the product and be able to be re-sold. The risk is that the development will over-run or not be able to be delivered in the way envisaged at the time of contract. Management take care to fully scope these development projects and use developers who understand the products and the costs of building bespoke elements. This is further mitigated by Ingenta entering into “hybrid” contracts - fixed price on the known element and time and materials on the uncertain element.

IT risk

Internal IT services are deployed onto fault tolerant platforms and spread over multiple locations including the Group’s offices, co-location facilities, Infrastructure as a Service (IAAS) and Office365. Regular backups and securing of data offer multiple restore points in the event of a critical failure outside of the scope of the in-built resilience. E-mail is a cloud-based deployment that staff can access from any working PC/smart phone. Staff have access to cloud-based storage (OneDrive) in addition to co-location deployed file servers where data cannot be stored in e-mail. Key staff have mobile phones and access to resilient telephony services for the purposes of contacting each other and customers. Through Remote Working staff can access their data and customer sites in the event that it was not possible to gain access to our offices.

Customer facing services are monitored for both stability and performance; wherever possible proactive maintenance is undertaken to avoid performance problems and/or downtime. All customer deployments are done to fault tolerant hardware either in one of our co-location facilities or to a cloud-based service, both offering high levels of resiliency and multiple, redundant access.

The Group’s business continuity plan is available from multiple locations and is regularly updated to cover new services and deployments.

FX risk

The risk associated with generating revenue and suffering costs in a currency other than sterling. This is mitigated naturally within Ingenta plc as revenues and associated costs are generally denominated in the same currency. Overall the Group is a net generator of USD.

HR risk

In a company with a high proportion of people-based revenue there is a risk of key staff leaving or being absent through sickness. This is mitigated by having appropriate notice periods built into employee contracts and ensuring there is adequate coverage for all staff roles with no individual solely responsible for significant revenue generation.

Brexit

Management continue to monitor the UK’s exit from the EU and its implications for the business. It is not anticipated the UK’s exit from the EU will affect software sales. At present, the main risks identified are currency fluctuations which have been reviewed above.

Outlook

The Group’s ongoing business combination plans continue to deliver positive results with profitability and cash generation showing improvements over the prior year. These long-term plans are due to conclude later in 2018 allowing the business to further drive efficiency and profitability whilst better supporting its customer base.

On behalf of the Board.

D R Montgomery
Chief Executive Officer
28 March 2018

Directors' report

The Directors present their report and the audited financial statements for the year ended 31 December 2017.

Directors

The Directors of the Company who held office during the year were:

Executive Directors:

D R Montgomery, Chief Executive Officer

J R Sheffield, Chief Financial Officer (appointed 31 May 2017)

Non-Executive Directors:

M C Rose, Chairman

M A Rowse

N W Kirton

B H Holmström

M M E Royde

The interests of Directors in the shares of the Company at 31 December 2017 are disclosed in the Directors' remuneration report.

Corporate governance

Details of corporate governance for the year to 31 December 2017 are disclosed in the corporate governance statement.

Research and development activities

The Group carries out research and development activities in connection with administration systems, web delivery, access control and linking technologies. All costs relating to these activities are charged to profit and loss within the Statement of Comprehensive Income as incurred. The charge to the Statement of Comprehensive Income was £2.1m (2016: £2.2m) in the year to 31 December 2017.

Substantial shareholdings

As at 9 January 2018, the Company had been notified of the following shareholders who are interested, directly or indirectly, in three percent or more of the issued share capital of the Company:

Name	Number of ordinary 10p shares	Percentage of issued ordinary share capital
M C Rose	4,645,412	27.46%
Kestrel Partners LLP	4,514,254	26.68%
Miton Group plc	2,182,650	12.90%
Criseren Investments Limited	827,785	4.89%
L B Gibson	613,399	3.63%
A B Moug	578,095	3.42%

Financial risk management

Details of the Group's financial risks are given in note 28.

Employment policy

Group employees are regularly consulted by Management and kept informed of matters affecting them and the overall development of the Group. The Group's policy is to give disabled people full and fair consideration for job vacancies, having due regard for their abilities and the safety of the individual. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Group continues and appropriate training is arranged.

Directors' and officers' liability insurance

The Group, as permitted by sections 234 and 235 of the Companies Act 2006, maintains insurance cover on behalf of the Directors and Company Secretary indemnifying them against certain liabilities which may be incurred by them in relation to the Group.

Going concern

The Directors have prepared the financial statements on the going concern basis. In assessing whether this assumption is appropriate, management have taken into account all relevant available information about the future including a revenue, profit and cash forecast, and management's ability to affect costs and revenues. Management regularly forecast profit, financial position and cash flows for the Group and a rolling forecast is updated monthly. Revenue is forecast in detail with all revenue contracts individually listed and ranked by probability from firm to prospect. Management have reviewed forecast costs for reasonableness against prior years in light of known changes and have concluded that forecast costs are robust. Further details on going concern are included within note 1 to the accounts (principal accounting policies).

Auditor

Grant Thornton UK LLP, offer themselves for re-appointment as auditor. A resolution to re-appoint Grant Thornton UK LLP will be proposed at the forthcoming Annual General Meeting.

On behalf of the Board.

D R Montgomery
Director
28 March 2018

Corporate governance statement

Corporate governance statement

The Group is committed to high standards of corporate governance. It has adopted procedures to institute good governance insofar as it is practical and appropriate for an organisation of its size and nature, notwithstanding the fact that companies that have securities traded on the Alternative Investment Market (AIM) are not required to comply with the UK Corporate Governance Code as appended to the Listing Rules issued by the Financial Conduct Authority.

As the Group grows, it will regularly review the extent of its corporate governance practices and procedures. At its current stage of development, the parent Company does not comply with the UK Corporate Governance Code. However, we have reported on our Corporate Governance arrangements by drawing upon best practice available, including those aspects of the UK Corporate Governance Code we consider to be relevant to the company and best practice.

Board of Directors

Board meetings are scheduled to take place every month, with additional meetings to review and approve significant transactions or strategic issues. There were 8 meetings in the year to 31 December 2017. The Board is provided with Board papers where appropriate before each Board meeting. The Company Secretary's services are available to all members of the Board. If required, the Directors are entitled to take independent advice and if the Board is informed in advance, the Group will reimburse the cost of the advice. The appointment and removal of the Company Secretary is a decision for the Board as a whole.

Non-Executive Directors are appointed on a contract with a three-month notice period. One Executive Director is appointed on a contract with a six-month notice period from both the Company and from the Executive Director. All Directors are subject to re-election. Each year, one third of the Directors are subject to re-election by rotation. The Group does not combine the role of Chairman and Chief Executive. New Directors are subject to re-election at the first AGM after their appointment. At the year end, the Board comprised the Non-Executive Chairman, the Chief Executive Officer, the Chief Financial Officer and four other Non-Executive Directors.

Remuneration Committee

The Remuneration Committee is composed of three Non-Executive Directors: M C Rose (Chairman), M A Rowse and N W Kirton. It is responsible for the terms, conditions and remuneration of the Executive Directors and senior management. The Remuneration Committee may consult external agencies when ascertaining market salaries. The Chairman of the Remuneration Committee will be available at the AGM to answer any shareholder questions.

Audit Committee

The Audit Committee is comprised of three Non-Executive Directors: M C Rose (Chairman), M A Rowse and N W Kirton. It monitors the adequacy of the Group's internal controls and provides the opportunity for the external auditor to communicate directly with the Non-Executive Directors.

The Audit Committee also ensures that the external auditor is independent via the segregation of audit related work from other accounting functions and non-audit related services provided and measures applicable fees with similar auditors.

Relations with shareholders

The Group gives high priority to its communication with shareholders. This is achieved through the Group's website, correspondence and extensive corporate information. In addition, the Group visits its main institutional investors on an ongoing basis and makes available to all shareholders, free of charge, its Interim and Annual Reports online, from the Group's head office or via the Financial Times Annual Report Service. At the AGM the shareholders are given the opportunity to question members of the Board. The notice of the AGM is sent to shareholders at least 21 business days before the meeting.

Internal controls

The Board of Directors acknowledges its responsibility for the Group's system of risk management and internal control, including suitable monitoring procedures. There are inherent limitations in any system of risk management and internal control and accordingly, even the most effective system can provide only reasonable, and not absolute, assurance with respect to the preparation of financial information and the safeguarding of assets. The Group's control environment is the responsibility of the Group's Directors and managers at all levels.

The Group's organisational structure has clear lines of responsibility. Operating and financial responsibility for business units is delegated to the operational management, including key risk assessment. Investment policy, acquisition and disposal proposals and major capital expenditure are authorised and monitored by the Board.

The Group operates a comprehensive budgeting and financial reporting system and, as a matter of routine, compares actual results with budgets, which are approved by the Board of Directors.

Management accounts are prepared for the Group on a monthly basis. Material variances from budget are thoroughly investigated. In addition, an updated forecast is prepared monthly, to reflect actual performance and the revised outlook for the year.

The Board considered the usefulness of establishing an internal audit function and decided in view of the size of the Group, it was not cost-effective to establish. This will be kept under review.

Functional reporting and risk management

The Directors and management have considered the risks facing the business and these are assessed on an ongoing basis. The key risks are discussed in the Group strategic report. Other risks which come under the direct control of the Directors include treasury management, capital expenditure, insurance, health and safety and regulatory compliance. Risk assessment includes the review of potential mitigations. The accounting policies cover several key risks, and these are included in the notes.

Statement of Directors' responsibilities

The directors are responsible for preparing the Group Strategic Report and Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union for the Company and the Group. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the Company and Group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs for the Company and the Group have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors confirm that:

- so far as each Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the Directors have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

On behalf of the Board.

M C Rose
Chairman of the Audit Committee
28 March 2018

Directors' remuneration report

The Remuneration Committee comprises M C Rose (Chairman), M A Rowse and N W Kirton who are Non-Executive Directors. The Remuneration Committee decides the remuneration policy that applies to Executive Directors and senior management. The Remuneration Committee meets regularly in order to consider and set the annual remuneration for the Executive Directors, having regard to personal performance and industry remuneration rates.

In determining that policy, it considers a number of factors including:

- the basic salaries and benefits available to Executive Directors of comparable companies,
- the need to attract and retain Directors of an appropriate calibre, and
- the need to ensure Directors' commitment to the success of the Group.

Non-Executive Directors are appointed on a contract with a three-month notice period and may be awarded fees in relation to the Board and committee meetings attended. Any fee awards to Non-Executive Directors are determined by the Board. Non-Executive Directors do not participate in the Company's share option scheme and do not receive the benefit of pension contributions.

The Group made contributions to externally administered defined contribution pension schemes for two Executive Directors.

The interests of the Directors at 31 December 2017 in the shares of the Company were as follows:

Name	Number of ordinary shares of 10p in Ingenta plc 31 December 2017	Number of ordinary shares of 10p in Ingenta plc 31 December 2016
M C Rose	4,645,412	4,645,412
M A Rowse	440,277	440,277
D R Montgomery	8,400	8,400
N W Kirton	44,250	44,250
M M E Royde	4,514,254	4,480,773

M M E Royde is a partner of Kestrel Partners LLP

Directors' interests

The Directors at 31 December 2017 had an interest in 98,333 options over the ordinary shares. The Directors had no post-employment benefits, other long-term benefits, termination benefits or share-based payments in the year.

The market price of the Company's shares at the end of the year was 127.5p and the price ranged in the year between 127.5p and 221.5p.

Directors' remuneration

Name	Salary and fees £'000	Benefits £'000	Sums paid to a third-party for Directors' services £'000	Pension contribution £'000	Total remuneration £'000	Group National Insurance costs £'000	2017 Total cost of employment £'000	2016 Total remuneration £'000	2016 Total cost of employment £'000
D R Montgomery	207	-	-	9	216	28	244	187	210
J R Sheffield	79	-	-	4	83	10	93	-	-
A B Moug	-	-	-	-	-	-	-	401	420
M C Rose	36	-	58	-	94	4	98	94	98
M A Rowse	-	-	36	-	36	-	36	36	36
N W Kirton	30	-	-	-	30	3	33	30	33
B H Holmström	-	-	30	-	30	-	30	13	13
M M E Royde	-	-	-	-	-	-	-	-	-
	352	-	124	13	489	45	534	761	810

J R Sheffield was appointed on 31 May 2017.
A B Moug resigned on 31 December 2016

On behalf of the Remuneration Committee.

M C Rose
Chairman
28 March 2018

Independent auditor's report to the members of Ingenta plc

Opinion

Our opinion on the financial statements is unmodified

We have audited the financial statements of Ingenta plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2017 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Cashflow Statement, the Company Statement of Financial Position, the Company Statement of Changes in Equity, the Company Statement of Cashflow and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2017 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Who we are reporting to

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

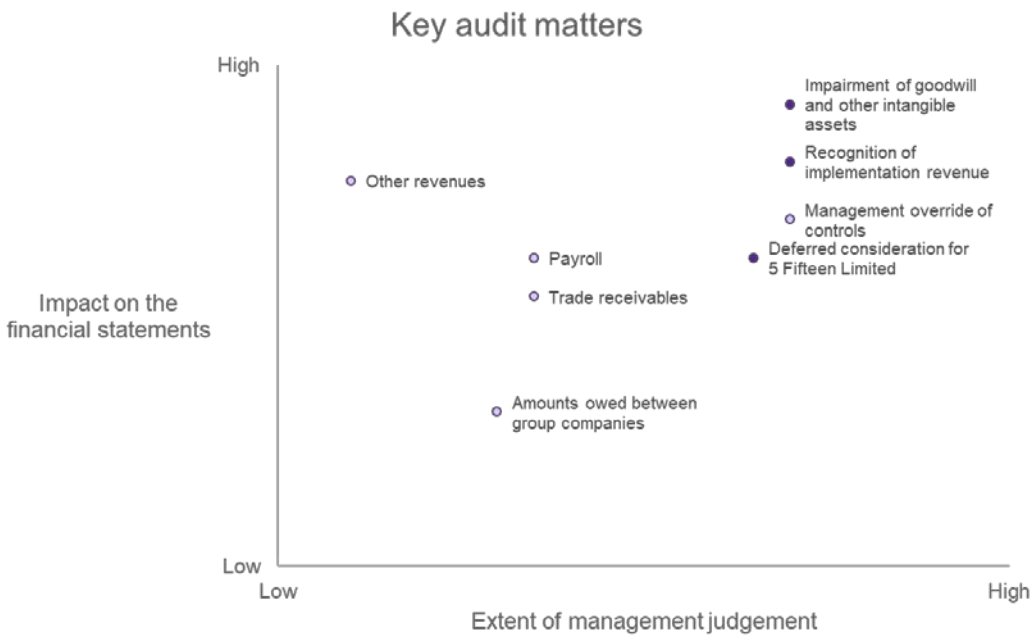
- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Overview of our audit approach

- Overall materiality: £294,000, which represents 2% of the group's revenue
- The key audit matters were identified as recognition of implementation revenue, deferred consideration for 5 Fifteen Limited and impairment of goodwill and other intangible assets.
- We performed a full scope audit covering Ingenta plc, the parent company and its seven subsidiaries; and targeted procedures on Beijing Ingenta Digital Publishing Technology Limited (the joint venture).

Key audit matters

The graph below depicts the audit risks identified and their relative significance based on the extent of the financial statement impact and the extent of management judgement.



Key audit matters

Other reasonably possible risks

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those that had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter - Group

Recognition of implementation revenue

Revenues have been recognised in the year ended 31 December 2017, arising substantially from the sale of services. Included within this is implementation revenue which has been identified as a key audit matter due to the involvement of management estimation of project completion. Implementation makes up £1,174,000 of revenue.

Implementation revenue is part of group's total revenue which impacts a number of key performance indicators. The group's accounting policy on implementation revenue is shown in note 1 to the financial statements included within the 'consulting services' section.

There is a risk implementation revenue may not be recognised in accordance with IAS 18 due to the estimation bias.

We therefore identified recognition of implementation revenue as a significant risk, which was one of the most significant assessed risks of material misstatement.

How the matter was addressed in the audit - Group

Our audit work included, but was not restricted to:

- Ensuring that the group's policy for recognition of implementation revenue is in accordance with IAS 18;
- Testing a sample of individual implementation revenue items recognised during the year and around the year-end by agreeing them to underlying contractual agreements and supporting timesheets for confirmation of the delivery of a service;
- Testing the entire amount of estimated implementation revenues, arising from on-going projects at year end, through discussions with project management to understand the method of calculating the estimate and corroborating those discussions with confirmations from customers of the work performed.;
- Checked that deferred revenue arising from implementation revenue was correctly recognised.

Key Observations:

Overall, based on our audit work, our assessment is that the estimates used by management resulted in an appropriate level of implementation revenue recognised in the Statement of Comprehensive Income.

Key Audit Matter - Group	How the matter was addressed in the audit - Group
Deferred consideration for 5 Fifteen Limited There is an identified risk that the deferred consideration, based on sales targets, which arose on acquisition of 5 Fifteen Limited has not been correctly provided for. The amount falls due at the beginning of 2018 and is calculated on actual sales targets being achieved during 2016 and 2017. We therefore identified the deferred consideration for 5 fifteen as a significant risk, which was one of the most significant assessed risks of material misstatement.	Our audit work included, but was not restricted to: • Checking the agreement which documents the criteria for of deferred consideration using 5 Fifteen Limited's sales data to test management's estimate of the provision required; • As a result of the change in deferred consideration, we determined whether there is any indication of impairment on goodwill due to the revenue target not being met. The group's accounting policy on deferred consideration is shown in note 1 under sub-heading "Basis of consolidation" to the financial statements and related disclosures are included in note 4 "Acquisitions". Key Observations: Management has reduced the provision to an amount that is representative of the sales performance of 5 Fifteen Limited for the period in which the deferred consideration relates. From the work performed we have not identified any material misstatements. There was no indication of impairment arising from the reduction in the deferred consideration.
Impairment of goodwill and other intangible assets Management are required to make an annual assessment to determine whether the Group's goodwill and other intangible assets, which stand at £5.3m, are impaired. The process for assessing whether impairments exist under International Accounting Standard (IAS) 36 Impairments of assets, is complex. This involves determining the value in use, through forecasting cash flows related to cash generating units (CGUs) and the determination of the appropriate discount rate and other assumptions to be applied which are highly judgemental and can significantly impact the results of the impairment review. We therefore identified the impairment of goodwill and other intangible assets as a significant risk, which was one of the most significant assessed risks of material misstatement	Our audit work included, but was not restricted to: • Obtaining management's assessment of the relevant CGUs used in the impairment calculation and comparing this information to our understanding of the business units and operating structure of the group • Re-calculation of management's impairment review in order to check arithmetical accuracy • Testing the assumptions utilised in the impairment models by calculation of our own estimates of growth rates and discount rates to evaluate management's point estimate • Challenging management assessment of impairment indicators relating to intangible assets by inputting less favourable assumptions into a sensitivity analysis of key factors, such as revenue and cost growth • Testing the accuracy of management's forecasting through a comparison of budget to actual data and historical variance trends and checking the cash flows for exceptional or unusual items or assumptions • Checking the detailed disclosure to ensure information provided in the financial statements is compliant with the requirements of IAS 36 and consistent with the results of the impairment review The group's accounting policy on impairment of intangible assets is shown in note 1 under sub-heading "Impairment". The group's disclosure on goodwill is shown in note 11 "Goodwill". The disclosure of other intangible assets is in note 12 "Other Intangibles". Key Observations: The calculations and forecasts used by management were reasonable. There have been no material misstatements within either the goodwill balances or other intangible assets recognised on group Statement of Financial Position.

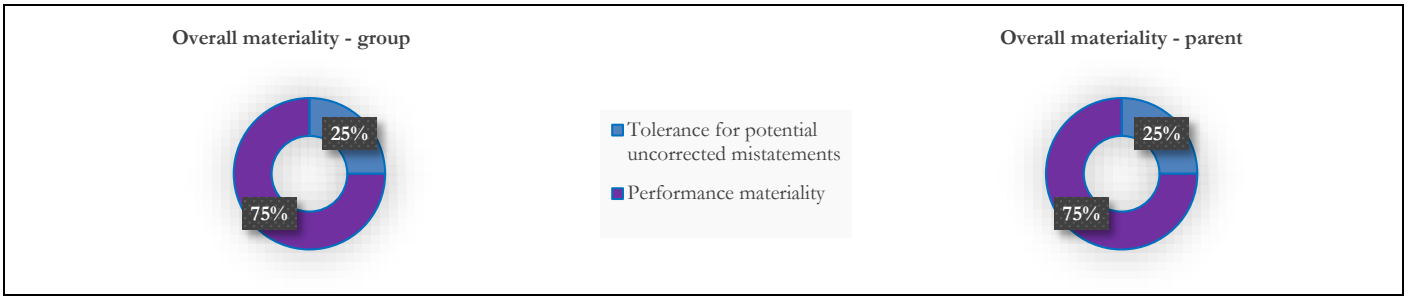
Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality in determining the nature, timing and extent of our audit work and in evaluating the results of that work.

Materiality was determined as follows:

Materiality Measure	Group	Parent
Financial statements as a whole	£294,000 which is 2**%** of revenue. This benchmark is considered the most appropriate because it is a stable and prominent key performance indicator. Materiality for the current year is lower than the level that we determined for the year ended 31 December 2016 to reflect a reduction in the revenue recognised by group.	£122,000 which is 1% of equity. This benchmark is considered the most appropriate because the parent company is a holding company. Materiality for the current year is lower than the level that we determined for the year ended 31 December 2016 to reflect a reduction in retained earnings.
Performance materiality used to drive the extent of our testing	75% of financial statement materiality.	75% of financial statement materiality.
Communication of misstatements to the audit committee	£14,000 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	£6,100 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

The graph below illustrates how performance materiality interacts with our overall materiality and the tolerance for potential uncorrected misstatements.



An overview of the scope of our audit

Our audit approach was a risk-based approach founded on a thorough understanding of the group's business, environment and risk profile. We considered material components using Group materiality and our scope included the following:

- Understanding the Group's internal control environment by performing process walkthroughs and documenting the controls covering all of the Key Audit Matters and Other Risks shown in the graph above;
- Performing full scope audit of the financial statements of the parent company Ingenta plc, which includes 100% of the group's investments;
- Performing a full scope audit of the financial statements of Ingenta UK Limited, the main trading entity, Vista International Limited and Vista North America Holdings Limited both intermediate holding companies
- Performing a Comprehensive audit procedures on Ingenta Inc and Publishers Communication Group Inc, which are incorporated in the United States.
- Our full scope procedures covered 99% of the revenue recognised
- Performing Targeted procedures covering Beijing Ingenta Digital Publishing Technology Limited, the joint venture.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report set out on pages 2 to 19, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Our opinion on other matters prescribed by the Companies Act 2006 is unmodified

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement set out on page 18, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Mark Bishop ACA
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Oxford
28 March 2018

Group statement of comprehensive income

	note	Year ended 31 Dec 17 £'000	Year ended 31 Dec 16 £'000
Group revenue	2	14,695	15,204
Cost of sales		(9,071)	(9,371)
Gross profit		5,624	5,833
Sales and marketing expenses		(1,253)	(1,290)
Administrative expenses		(3,441)	(3,827)
Profit from operations	6	930	716
Share of (loss) / profit from equity accounted investments	3	(99)	170
Finance costs	8	(31)	(25)
Profit before income tax		800	861
Income tax	9	185	138
Profit for the year attributable to equity holders of the parent		985	999
Other comprehensive expenses which will be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		77	15
Total comprehensive income for the year attributable to equity holders of the parent		1,062	1,014
Basic earnings per share (pence)	10	5.82	6.03
Diluted earnings per share (pence)	10	5.78	5.98

All activities are classified as continuing.

The accompanying notes form part of these financial statements.

Group statement of financial position

	note	31 Dec 17 £'000	31 Dec 16 £'000	31 Dec 15 £'000
Non-current assets				
Goodwill	11	4,900	4,900	3,737
Other intangible assets	12	358	458	-
Property, plant and equipment	13	140	203	239
Investments accounted for using the equity method	3	-	368	198
		5,398	5,929	4,174
Current assets				
Trade and other receivables	14	4,688	5,385	4,234
Investments classified as held for sale	3,15	320	-	-
Research and Development tax credit receivable	9	180	150	405
Cash and cash equivalents	16	2,131	2,027	8,807
		7,319	7,562	13,446
Total assets		12,717	13,491	17,620
Equity				
Share capital	22	1,692	1,692	1,632
Share Premium		8,999	8,999	8,294
Merger reserve		11,055	11,055	11,055
Reverse acquisition reserve		(5,228)	(5,228)	(5,228)
Share option reserve		51	-	-
Translation reserve		(845)	(871)	(887)
Retained earnings		(9,424)	(10,240)	(11,239)
Investment in own shares	24	-	-	(1)
Total equity		6,300	5,407	3,626
Non-current liabilities				
Borrowings	18	-	-	-
Deferred tax liability	19	72	92	-
Finance leases	20	8	35	69
		80	127	69
Current liabilities				
Trade and other payables	17	3,394	4,349	3,601
Deferred income		2,943	3,608	3,594
Borrowings	18	-	-	6,730
		6,337	7,957	13,925
Total liabilities		6,417	8,084	13,994
Total equity and liabilities		12,717	13,491	17,620

The financial statements were approved by the Board of Directors and authorised for issue on 28 March 2018 and were signed on its behalf by:

J R Sheffield
Director

D R Montgomery
Director

Registered number: 837205
The accompanying notes form part of these financial statements.

Group statement of changes in equity

For the year ended 31 December 2017

	Share capital £'000	Share premium £'000	Merger reserve £'000	Reverse acquisition reserve £'000	Translation reserve £'000	Retained earnings £'000	Share option reserve £'000	Total attributable to owners of parent £'000
Balance at 1 January 2017	1,692	8,999	11,055	(5,228)	(871)	(10,240)	-	5,407
Dividends paid	-	-	-	-	-	(169)	-	(169)
Investment in own shares in the year	-	-	-	-	(51)	-	51	-
Transactions with owners	-	-	-	-	(51)	(169)	51	(169)
Profit for the year	-	-	-	-	-	985	-	985
Other comprehensive expense	-	-	-	-	-	-	-	-
Exchange differences on translation foreign operations	-	-	-	-	77	-	-	77
Total comprehensive income for the year	-	-	-	-	77	985	-	1,062
Balance at 31 December 2017	1,692	8,999	11,055	(5,228)	(845)	(9,424)	51	6,300

For the year ended 31 December 2016

	Share capital £'000	Share premium £'000	Merger reserve £'000	Reverse acquisition reserve £'000	Translation reserve £'000	Retained earnings £'000	Investment in own shares £'000	Total attributable to owners of parent £'000
Balance at 1 January 2016	1,632	8,294	11,055	(5,228)	(887)	(11,239)	(1)	3,626
Employee Share Ownership Trust transactions	-	-	-	-	-	-	1	1
Share issue	60	705	-	-	-	-	-	765
Transactions with owners	60	705	-	-	-	-	1	766
Profit for the year	-	-	-	-	-	999	-	999
Other comprehensive expense								
Exchange differences on translation foreign operations	-	-	-	-	16	-	-	16
Total comprehensive income for the year	-	-	-	-	16	999	-	1,015
Balance at 31 December 2016	1,692	8,999	11,055	(5,228)	(871)	(10,240)	-	5,407

Group statement of cash flows

	note	Year ended 31 Dec 17 £'000	Year ended 31 Dec 16 £'000
Profit before taxation		800	861
Adjustments for			
Share of loss / (profit) from Joint Venture		99	(170)
Depreciation		250	234
(Profit) / loss on disposal of fixed assets		-	(1)
Interest expense		31	25
Unrealised foreign exchange differences		26	16
Decrease / (increase) in trade and other receivables		697	(650)
(Decrease) in trade and other payables		(1,552)	(773)
Cash inflow / (outflow) from operations		351	(458)
Research and Development tax credit received		143	390
Tax paid		(8)	(5)
Net cash inflow / (outflow) from operating activities		486	(73)
Cash flow from investing activities			
Acquisition of subsidiaries, net of cash acquired		-	(460)
Purchase of property, plant and equipment		(91)	(69)
Net cash used in investing activities		(91)	(529)
Cash flows from financing activities			
Interest paid		(31)	(33)
Payment of finance lease liabilities		(95)	(165)
Cost associated with share raising		-	(15)
Share raising proceeds		-	780
Dividend paid		(169)	-
Net cash (used in) / from financing activities		(295)	567
Net increase / (decrease) in cash and cash equivalents		100	(35)
Cash and cash equivalents at the beginning of the year	16	2,027	2,077
Exchange difference on cash and cash equivalents		4	(15)
Cash and cash equivalents at the end of the year	16, 25	2,131	2,027

The accompanying notes form part of these financial statements.

Notes to the Group financial statements

For the year ended 31 December 2017

General information and nature of operations

Ingenta plc (the 'Company') and its subsidiaries (together the 'Group') is a provider of content management, advertising and Commercial enterprise solutions and services to publishers, information providers, academic libraries and institutions. The nature of the Group's operations and its principal activities are set out in the Chairman's statement and Group Strategic report.

The Company is incorporated in the United Kingdom under the Companies Act 2006. The Company's registration number is 0837205 and its registered office is 8100 Alec Issigonis Way, Oxford, OX4 2HU. The consolidated financial statements were authorised by the Board of Directors for issue on 28 March 2018.

1. Principal accounting policies

Going concern

The accounts are prepared on a going concern basis. In assessing whether the going concern assumption is appropriate, management have taken into account all relevant available information about the future including revenue, profit and cash forecast and management's ability to affect costs and revenues.

Management regularly forecast profit, financial position and cash flows for the Group. The rolling annual forecast is normally updated monthly.

Having reviewed the latest forecast, management regard the forecast to be robust. Revenue streams are forecast in detail with all recurring revenue contracts individually listed and ranked by firmness from firm to prospect.

Management have reviewed forecast costs for reasonableness against prior years and with knowledge of expected movements and concluded that forecast costs are robust.

As at 31 December 2017 the Group had net current assets of £0.7m (2016: liabilities of £0.4m), of which £2.9m (2016: £3.6m) relates to deferred income which will be recognised in the year ending 31 December 2018.

The Group has positive cash balances of £2.1m as at 31 December 2017 (2016: £2.0m). The Group held linked accounts with HSBC such that any facility was based on the net balance of all accounts taken together. Management have assured themselves that cash is sufficient for the needs of the business based on the cash flow forecast.

The major risks for future trading are the uptake of new generation products Ingenta CMS and the Commercial product suite (Ingenta Rights, Royalties, Product Manager and Order to Cash), which to some extent is reliant on the macro-economy and the willingness of data providers to commit to capital expenditure projects.

There is a strong sales pipeline for all new generation products which gives the Board confidence that the forecast for 2018 is achievable. It is therefore considered appropriate to use the going concern basis to compile these financial statements.

Basis of preparation

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all years presented.

The accounting policies applied have been applied consistently throughout the Ingenta Group. The financial statements have been prepared under the historical cost convention.

Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union. The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

Significant management judgements in applying accounting policies

The following are the significant management judgements used in applying the accounting policies of the Group that have the most significant effect on the financial statements.

Consulting service revenue
Please refer to the Revenue section of the accounting policies note for detailed disclosure.

Support and upgrade revenue
Please refer to the Revenue section of the accounting policies note for detailed disclosure.

Deferred tax assets
The assessment of the probability of future taxable income against which deferred tax assets can be utilised is based on the Group's latest approved forecast, which is adjusted for significant non-taxable income and expenses and specific limits to the use of any unused tax loss or credit. The tax rules in the numerous jurisdictions in which the Group operates are also carefully taken into consideration. If a positive forecast of taxable income indicates the probable use of a deferred tax asset, especially when it can be utilised without a time limit, that deferred tax asset is usually recognised in full. The recognition of deferred tax assets that are subject to certain legal or economic limits or uncertainties are assessed individually by management based on the specific facts and circumstances.

Research and development expenditure
Research and development expenditure is fully written off to the Statement of Comprehensive Income as costs are incurred. The Board have taken into account the inherent risks in all research and development expenditure and specifically the expenditure being incurred by the business in the year and have concluded that the requirements of IAS 38 to capitalise development expenditure have not been met.

Intangible assets and fair value on acquisition
Software technology acquired in a business combination that qualify for separate recognition are recognised as intangible assets at their fair values. For further details see the Intangible asset section of the accounting policies note.

Research and Development tax credits
Research and Development tax credits are recognised on an accruals basis as in prior years. The basis of calculation is consistent with prior years, taking into account current legislation, which has been accepted by HMRC.

Investments classified as held for sale
During 2017, the Group entered negotiations to sell its shareholding in BIDPT. At year end, these were sufficiently advanced that the investment was reclassified as held for sale.

Estimation uncertainty

When preparing the financial statements management make a number of estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results are likely to differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results. Information about the significant judgements, estimates and assumptions that have

the most significant effect on the recognition and measurement of assets, liabilities, income and expenses are discussed on the following pages.

Impairment
An impairment loss is recognised for the amount by which an asset's, or cash generating unit's, carrying amount exceeds its recoverable amount. To determine the recoverable amount, management estimates expected future cash flows from each asset, or cash-generating unit, and determines a suitable pre-tax discount rate in order to calculate the present value of those cash flows. In the process of measuring expected future cash flows management makes assumptions about future gross profits. These assumptions relate to future events and circumstances. The actual results may vary and may cause significant adjustments to the Group's assets within the next financial year. In most cases, determining the applicable discount rate involves estimating the appropriate adjustment to market risk and the appropriate adjustment to asset-specific risk factors. See note 11 for details of the review.

Fair value of financial instruments
Management uses valuation techniques in measuring the fair value of financial instruments, where active market quotes are not available. Details of the assumptions used are given in the notes regarding financial assets and liabilities. In applying the valuation techniques management makes maximum use of market inputs, and uses estimates and assumptions that are, as far as possible, consistent with observable data that market participants would use in pricing the instrument. Where applicable data is not observable, management uses its best estimate about the assumptions that market participants would make. These estimates may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

Basis of consolidation

The Group financial statements consolidate those of the parent Company and all of its subsidiaries as of 31 December 2017. All subsidiaries have a reporting date of 31 December.

All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a Group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

The Group attributes total comprehensive income or loss of subsidiaries between the owners of the parent and the non-controlling interests based on their respective ownership interests.

Unrealised gains on transactions between the Group and its subsidiaries are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Acquisitions of subsidiaries are dealt with by the purchase method. The purchase method involves the recognition at fair value of all identifiable assets and liabilities, including contingent liabilities of the subsidiary, at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition. The acquisition cost is calculated as the sum of the acquisition date fair values of the assets transferred by the acquirer and excludes any transaction costs. On initial recognition, the assets and liabilities of the subsidiary are included in the consolidated statement of financial position at their fair values, which are also used as the bases for subsequent measurement in accordance with the Group accounting policies. Goodwill is stated after separating out identifiable intangible assets. Goodwill represents the excess of acquisition cost over the fair value of the Group's share of the identifiable net assets of the acquired subsidiary at the date of acquisition.

Investments in Joint Ventures are initially recognised at cost and subsequently accounted for using the equity method. Any goodwill or fair value adjustment attributable to the Group's share in the Joint Venture is not recognised separately and is included in the amount recognised as investment in Joint Ventures. The carrying amount of the investment in Joint Ventures is increased or decreased to recognise the Group's share of the profit or loss and other comprehensive income of the Joint Venture, adjusted where necessary to ensure consistency with the accounting policies of the Group. Unrealised gains and losses on transactions between the Group and its Joint Ventures are eliminated to the extent of the Group's interest in those entities. Where unrealised losses are eliminated, the underlying asset is also tested for impairment.

Share options

The Group operates an unapproved Executive Management Incentive (EMI) Share Option plan. £1K (2016: £50K) has been recognised during the year as the fair value of the options. The Group had an approved scheme which was closed during 2015. Full details are in note 22.

Property, plant and equipment

Cost
Property, plant and equipment is stated at cost, net of depreciation and any provision for impairment.

Depreciation
Depreciation is calculated using the straight - line method to allocate the cost of assets less their estimated residual value over their estimated useful lives, as follows:

Leasehold improvements	Over the term of the lease
Computer equipment	3 years
Fixtures, fittings and equipment	5 years

The residual value and the useful life of each asset are reviewed at least at each financial year-end and, if expectations differ from previous estimates, the change(s) are accounted for as a change in an accounting estimate.

Disposal of assets
The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised within profit or loss within the Statement of Comprehensive Income.

Intangible assets

Goodwill
Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition. Goodwill is tested annually for impairment and is carried at cost less accumulated impairment losses. Impairment losses are recognised immediately in the income statement and are not subsequently reversed.

Goodwill arising on acquisitions before the date of transition to IFRS has been retained at the previous UK GAAP amounts subject to being tested for impairment at that date and at least annually thereafter.

On disposal of a subsidiary, the attributable net book value of goodwill is included in the determination of the profit or loss on disposal.

Technology based intellectual property
Intangible assets relating to the technology acquired from business combinations that qualify for separate recognition are recognised as intangible assets at their fair value.
The assets are valued using a discounted cash flow model for the revenues they will generate over the next 5 years.

The asset is amortised on a straight-line basis over a 5 year period. Residual values and useful lives are reviewed at each reporting date.

Amortisation is included within depreciation, amortisation and impairment of non-financial assets.

Impairment of intangibles and property, plant and equipment

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which management monitors the related goodwill.

Goodwill, other individual assets or cash-generating units that include goodwill and other intangible assets with an indefinite useful life are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Financial assets and financial liabilities are measured initially at fair value plus transactions costs, except for financial assets and financial liabilities carried at fair value through profit or loss, which are measured initially at fair value. Financial assets and financial liabilities are measured subsequently as described herein.

Financial assets

The Group classifies its financial assets as 'loans and receivables' and 'available for sale'. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

The Group assesses at the date of each Statement of Financial Position whether there is objective evidence that a financial asset or a group of financial assets is impaired.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the Statement of Financial Position date, which are classified as non-current assets. Loans and receivables are classified as 'trade and other receivables' in the Statement of Financial Position.

Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method; less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulty, high probability of bankruptcy or a financial reorganisation and default are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at original effective interest rate. The loss is recognised in the Statement of Comprehensive Income within 'Sales and marketing expenses'. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against 'Sales and marketing expenses' in the Statement of Comprehensive Income.

Available for sale financial assets

Available for sale financial assets are non-derivative financial assets that are either designated in this category or are not classified in any other category. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the Statement of Financial Position date.

On initial recognition, financial assets are measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial assets. After initial recognition, financial assets are measured at fair value, without any deduction of transaction costs.

Gains and losses arising from changes in the fair value of a financial asset are recognised in other comprehensive income, except for impairment losses. When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are reclassified from equity to profit or loss.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing models making maximum use of market inputs and relying as little as possible on entity specific inputs.

Financial liabilities

The Group's financial liabilities include borrowing and trade and other payables.

Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised within profit or loss within the Statement of Comprehensive Income over the period of the borrowing using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits together with other short term highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents include bank overdrafts as they are repayable on demand and form an integral part of the Group's cash management. The Group's banking facility is all with one bank (HSBC) and the accounts are linked such that any facility limit is based on the net balance of all accounts.

Equity

Share capital represents the nominal value of shares that have been issued.

The translation reserve within equity relates to foreign currency translation differences arising on the translation of the Group's foreign entities.

Retained earnings include all current and prior year retained profits and losses.

Reverse acquisition reserve and merger reserve represent balances arising on the acquisition of Ingenta plc in 2007. The IFRS 3 acquisition adjustment reflects the entries required under reverse acquisition accounting, whereby consolidated shareholders' funds comprise the capital structure of the legal parent combined with the reserves of the legal subsidiary and the post-acquisition reserves of the parent.

Investment in own shares within equity represents the cost of shares held within the Employee Share Ownership Trust (ESOT).

Where any Group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transactions costs and the related income tax effect, is included in equity attributable to the Company's equity holders.

Revenue

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value added tax, returns, rebates and discounts after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into account the type of customer, type of transaction and specifics of each arrangement.

Recognition of Ingenta Connect Revenue (within the Content products division):

Ingenta Connect revenues comprise 'Hosted services' and 'Consulting Services' revenue.

Hosted Services:
Hosted services include annual fees for hosting publishers content on the Ingenta Connect platform and revenues from document delivery under pay-per-view access, clearance and digitisation services. The hosting fees are recognised over the period content is hosted on Ingenta Connect. Pay per view revenues are recognised on despatch of the documents.

Consulting Services:
Consulting services includes revenues from the processing of e-journal content and ongoing services. These fees are based on a per article charge and are recognised in the period to which they relate. The period is assessed by reference to when the work is carried out. Any work which relates to more than one period is recognised based on the percentage complete method which is made with reference to the number of articles processed in the period.

Recognition of Ingenta Commercial products, Ingenta CMS (within the Content products division), and Ingenta Advertising:

Revenues from these divisions comprise 'Licences', 'Consulting Services', Hosted Services', 'Managed Services' and 'Support and Upgrade' revenue.

Licences:
Revenue from sales of software licences is recognised immediately if there are no associated implementation requirements. This will only be the case where an existing customer purchases additional licences to increase the number of users on an existing installed software system. Where software licences sold require consulting services to make the licences usable, the licence revenue is recognised over the period of the associated consulting services on a percentage complete basis. This is assessed by reference to the estimated project days in the project planning documentation, amended for project change requests and the days worked on the project to the year end.

Consulting Services:
Revenues from long term contracts within consulting services are recognised on the percentage of completion method. This is assessed by reference to the estimated project days in the project planning documentation, amended for project change requests and the days worked on the project to the year end. Where certain products are sold as multi element arrangements, revenue is recognised when each element is delivered to the customer based on the relative fair value of each product element which is assessed as being the selling price of each product when sold separately.

Hosted Services, Managed Services and Support and Upgrade:
Revenues collected or billed in advance for hosted services, managed services and support and upgrade revenue, are recorded as deferred income and recognised over the period to which the service relates.

Recognition of PCG Revenues:

Ingenta's PCG division earns revenue from providing services to Publishers and Content providers. Some revenue is charged as a retainer for services provided throughout the period. These revenues are recognised in line with the effort expended across the period to which they relate.

Some revenues are earned on a commission basis associated with selling publishers content. This revenue is recognised when commission is earned which contractually is when PCG's publishing customer invoices the end user for the services sold by PCG. In some cases, PCG invoices the end user on behalf of the customer for the services sold by PCG and records PCG's commission when the invoice is issued as agreed in the contract. Where any sales representation and cash collection services are incorporated into the contract the work involved is minimal and does not affect recognition of commission.

Some further revenues are based on performing surveys for publishers. These revenues are based on a fixed number of calls at an agreed rate per call. Revenue is recognised on a per call completed basis in the period the calls were made

Employee benefits

Pension obligations

The Group operates various pension schemes which are by nature defined contribution plans. A defined contribution plan is a pension plan under which the Group pays a fixed contribution into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The Group does not operate a defined benefit plan.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The contributions are recognised as employee benefit expenses when they are due.

Share-based employee remuneration

The Group operates equity-settled share-based remuneration plans for its employees. None of the Group's plans feature any options for a cash settlement.

All goods and services received in exchange for the grant of any share-based payment are measured at their fair values. Where employees are rewarded using share-based payments, the fair values of employees' services are determined indirectly by reference to the fair value of the equity instruments granted. This fair value is appraised at the grant date and excludes the impact of non-market vesting conditions.

All share-based remuneration is ultimately recognised as an expense in profit or loss. If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest.

Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised, if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognised in the current period. No adjustment is made to any expense recognised in prior periods if share options ultimately exercised are different to that estimated on vesting.

Upon exercise of share options, the proceeds received net of any directly attributable transaction costs up to the nominal value of the shares issued are allocated to share capital with any excess being recorded as share premium.

Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminating the employment according to a detailed formal plan without possibility of withdrawal or to providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the reporting date are discounted to their present value.

Employee Share Ownership Trust (ESOT)

As the company is deemed to have control of the ESOT, it is treated as a subsidiary and consolidated for the purposes of the consolidated financial statements. The ESOT's assets (other than investments in the company's shares), liabilities, income and expenses are included on a line-by-line basis in the consolidated financial statements. The ESOT's investment in the company's shares is deducted from equity in the consolidated statement of financial position as if they were treasury shares.

Finance leases

The economic ownership of a leased asset is transferred to the lessee if the lessee bears substantially all the risks and rewards of ownership of the leased asset. Where the Group is a lessee in this type of arrangement, the related asset is recognised at the inception of the lease at the fair value of the leased asset or, if lower, the present value of the lease payments plus incidental payments, if any. A corresponding amount is recognised as a finance lease liability. Leases of land and buildings are classified separately and are split into a land and a building element, in accordance with the relative fair values of the leasehold interests at the date the asset is recognised initially.

The depreciation methods and useful lives for assets held under finance leases are described under "Property, Plant and Equipment" herein. The corresponding finance lease liability is reduced by lease payments net of finance charges. The interest element of lease payments represents a constant proportion of the outstanding capital balance and is charged to profit or loss, as finance costs over the period of the lease.

Operating leases

Leases in which a significant risk and reward of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are recognised in the Statement of Comprehensive Income on a straight-line basis over the term of the lease. Lease incentives received are recognised within profit or loss within the Statement of Comprehensive Income as an integral part of the total lease expense and are spread on a straight-line basis over the lease term.

Operating expenses

Operating expenses are recognised within profit or loss within the Statement of Comprehensive Income upon utilisation of the service or at the date of their origin.

Finance costs

Financing costs comprise interest payable, the amortisation of the costs of acquiring finance and the unwinding of discounts that are recognised within profit or loss within the Statement of Comprehensive Income. Interest payable is recognised in the Statement of Comprehensive Income as it accrues, using the effective interest method.

Income taxes

The tax expense recognised within profit or loss within the Statement of Comprehensive Income comprises the sum of deferred tax and current tax not recognised in other comprehensive income or directly in equity. Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill, or on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit.

Deferred tax on temporary differences associated with shares in subsidiaries and Joint Ventures is not provided if reversal of these temporary differences can be controlled by the Group and it is probable that reversal will occur in the foreseeable future.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted by the end of the reporting period. Deferred tax liabilities are always provided for in full.

Deferred tax assets are recognised to the extent that it is probable that they will be able to be utilised against future taxable income. Deferred tax assets and liabilities are offset only when the Group has a right and intention to set off current tax assets and liabilities from the same taxation authority.

Changes in deferred tax assets or liabilities are recognised as a component of tax income or expense in profit or loss, except where they relate to items that are recognised in other comprehensive income (such as the revaluation of land) or directly in equity, in which case the related deferred tax is also recognised in other comprehensive income or equity, respectively.

Provisions, contingent liabilities and contingent assets

Provisions are recognised when present obligations as a result of a past event will probably lead to an outflow of economic resources from the Group and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events, for example, onerous contracts. Restructuring provisions are recognised only if a detailed formal plan for the restructuring has been developed and implemented, or management has at least announced the plan's main features to those affected by it. Provisions are not recognised for future operating losses.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

Any reimbursement that the Group can be virtually certain to collect from a third-party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision. All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

In those cases, where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is recognised, unless it was assumed in the course of a business combination. In a business combination, contingent liabilities are recognised in the course of the allocation of the purchase price to the assets and liabilities acquired in the business combination. They are subsequently measured at the higher amount of a comparable provision as described above and the amount initially recognised, less any amortisation.

Possible inflows of economic benefits to the Group that do not yet meet the recognition criteria of an asset are considered contingent assets.

Foreign currency

The consolidated financial statements are presented in Sterling (GBP), which is also the functional currency of the parent Company.

Foreign currency transactions are translated into the functional currency of the respective Group entity, using a monthly estimated rate set at the

beginning of each month. Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary items at year-end exchange rates are recognised in profit or loss. Non-monetary items measured at historical cost are translated using the exchange rates at the date of the transaction and not subsequently retranslated.

In the Group's financial statements, all assets, liabilities and transactions of Group entities with a functional currency other than Sterling are translated into Sterling upon consolidation. The functional currencies of the entities in the Group have remained unchanged during the reporting period. On consolidation, assets and liabilities have been translated into Sterling at the closing rate at the reporting date. Income and expenses have been translated into the Group's presentation currency at an approximation of the average rate over the reporting period. Exchange differences are charged / credited to other comprehensive income and recognised in the currency translation reserve in equity. On disposal of a foreign operation the cumulative translation differences recognised in equity are reclassified to profit or loss and recognised as part of the gain or loss on disposal. Goodwill and fair value adjustments arising on the acquisition of a foreign entity have been treated as assets and liabilities of the foreign entity and translated into Sterling at the closing rate.

Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker has been identified as the Executive Board, at which level strategic decisions are made.

IFRS 8 "Operating segments" requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes and reported in a manner which is more consistent with internal reporting provided to the chief operating decision-maker.

Standards, amendments and interpretations to existing standards that are in issue but not effective for periods commencing on 1 January 2017 and have not been adopted early by the Group.

New standards and interpretations currently in issue but not effective based on EU mandatory effective dates, for accounting periods commencing on 1 January 2017 are:

- IFRS 9 'Financial Instruments' will supersede IAS 39 'Financial Instruments: Recognition and Measurement' and is effective for annual periods beginning on or after 1 January 2018. IFRS 9 covers classification and measurement of financial assets and financial liabilities, impairment of financial assets and hedge accounting

- IFRS 15 Revenue from Contracts with Customers (effective 1 January 2018). IFRS 15 presents new requirements for the recognition of revenue, replacing IAS 18 'Revenue', IAS 11 'Construction Contracts', and several revenue-related interpretations. The new standard establishes a control-based revenue recognition model and provides additional guidance in many areas not covered in detail under existing IFRSs, including how to account for arrangements with multiple performance obligations, variable pricing, customer refund rights, supplier repurchase options, and other common complexities. Management has started to assess the impact of IFRS 15 but as the majority of contracts are under time and materials arrangements it does not expect a material impact.

Ingenta expects to adopt IFRS 9 and IFRS 15 on 1 January 2018. The group's evaluation of the effect of adoption of these standards is ongoing but it is not currently anticipated that either IFRS 9 or IFRS 15 will have a material effect on the financial statements.

IFRS 16 'Leases' provides a new model for lessee accounting in which all leases, other than short-term and small-ticket-item leases, will be accounted for by the recognition on the balance sheet of a right-to-use asset and a lease liability, and the subsequent amortisation of the right-to use asset over the lease term. IFRS 16 will be effective for annual periods beginning on or after 1 January 2019. Ingenta expects to adopt IFRS 16 on 1 January 2019 using the modified retrospective approach to transition permitted by the standard in which the cumulative effect of initially applying the standard is recognized in opening retained earnings at the date of initial application. The group's evaluation of the effect of adoption of the standard is ongoing but it is expected that it will have a material effect on the group's financial statements, significantly increasing the group's recognized assets and liabilities. It is expected that the presentation and timing of recognition of charges in the income statement will also change as the operating lease expense currently reported under IAS 17, typically on a straight-line basis, will be replaced by depreciation of the right-to-use asset and interest on the lease liability. Information on the group's leases currently classified as operating leases, which are not recognized on the balance sheet, is provided in Note 21.

Management anticipates that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning after the effective date of the pronouncement.

2. Revenue

An analysis of the Group's revenue is detailed below by activity across the Group's operating units:

	Year ended 31 Dec 17 £'000	Year ended 31 Dec 16 £'000
Licenses	169	146
Consulting Services	4,036	3,168
Hosted Services	4,134	4,269
Managed Services	2,395	2,862
Support and upgrade	2,589	2,648
PCG	1,372	2,111
	14,695	15,204

An analysis of the Group's revenue (excluding revenue of the equity accounted investment) by business division is as follows:

	Year ended 31 Dec 17 £'000	Year ended 31 Dec 16 £'000
Ingenta Commercial product division	7,611	8,461
Ingenta Content products division	3,654	3,926
PCG	1,372	2,111
Ingenta Advertising	2,058	706
	14,695	15,204

A geographical analysis of the Group's revenue (excluding revenue of the equity accounted investment) is as follows:

	Year ended 31 Dec 17 £'000	Year ended 31 Dec 16 £'000
UK	6,126	5,893
USA	6,293	7,162
Rest of the World	2,276	2,149
	14,695	15,204

Revenue is allocated to geographical locations based on the location of the customer.

3. Joint Venture

The Group holds a 49% voting and equity interest in Beijing Ingenta Digital Publishing Technology Ltd (BIDPT) which was purchased during the year to 31 December 2012.

This investment is accounted for under the equity method. BIDPT has a reporting date of 31 December. The shares are not publicly listed on a stock exchange and hence published price quotes are not available.

Certain financial information on BIDPT is as follows:

	As at 31 Dec 17 £'000	As at 31 Dec 16 £'000
Assets	1,343	1,974
Liabilities	(690)	(1,223)

	Year ended 31 Dec 17 £'000	Year ended 31 Dec 16 £'000
Revenues	1,481	2,080
Profit / (loss)	(203)	350
Revenue attributable to the Group	726	1,019
Profit / (loss) attributable to the Group	(99)	170

Changes in equity accounted investments

	Year ended 31 Dec 17 £'000	Year ended 31 Dec 16 £'000
Cost of 49% investment in BIDPT plus share of accumulated profit and loss	368	198
Retained (loss) / profit attributable to the Group	(99)	170
Other comprehensive income	51	-
Transfer to investments classified as held for sale	(320)	-
Investment book value	-	368

Dividends are subject to the approval of at least 51% of all shareholders of BIDPT. The Group has received no dividends.

During 2017, the Group entered negotiations to sell its shareholding in BIDPT. At year end, these were sufficiently advanced that the investment was reclassified as held for sale. See note 15.

4. Acquisitions

On 28th July 2016, the Group acquired 100% of the issued share capital of UK based advertising software company 5 Fifteen Limited, thereby obtaining control. The purchase will allow Ingenta to strengthen its product portfolio and strategically build on its existing plans to diversify its client base, extending its offering into the wider media industry as well as trade and academic publishers.

Details of the business combination are as follows:

	note	2017 £'000s	2016 £'000s
Fair value of consideration transferred			
Amount settled in cash		-	490
Fair value of contingent consideration		-	500
Total		-	990
Recognised amounts of identifiable net assets			
Property, plant and equipment		-	16
Intangible assets		-	500
Total non-current assets		-	516
Trade and other receivables		-	499
Cash and cash equivalents		-	30
Total current assets		-	529
Provisions		-	(75)
Total non-current liabilities		-	(75)
Trade and other payables		-	(188)
Deferred income		-	(855)
Deferred tax liability		-	(100)
Total current liabilities		-	(1,143)
Identifiable net liabilities		-	173
Goodwill	11	-	1,163
Consideration transferred settled in cash		-	490
Cash and cash equivalents acquired		-	(30)
Net cash outflow on acquisition		-	460

Consideration transferred

The acquisition of 5 Fifteen was settled in cash amounting to £490K and an additional consideration of up to £500K payable only if sales exceed a target set by both parties in 2016 and 2017. The additional consideration will be payable after 31 December 2018 and could be in the range of no further payment up to a maximum of £500K. At year end, management believe the deferred consideration will be a maximum of £321K and have revalued the deferred consideration accrual creating a gain of £178K which has been recognised in the Group Statement of Comprehensive Income. Legal fees of £35K were incurred as part of the transaction and are included within administrative expenses in the Group Statement of Comprehensive Income.

Identifiable net assets

The fair value of trade and other receivables acquired as part of the business combination amounted to £499K which included a provision against bad debts of £2K.

Goodwill

Goodwill of £1,163K is primarily related to future profitability, the substantial skill and expertise of the 5 Fifteen workforce and expected cost synergies. Goodwill has been allocated to a new Advertising segment of the wider Ingenta Group.

5 Fifteen's contribution to Group results

5 Fifteen contributed £2,058K (5 months to 31 December 2016: £706K) to Group revenues and £433K (5 months to 31 December 2016: £270K) to Group EBITDA.

Deferred tax liability

On consolidation, a deferred tax liability of £100K was recognised in respect of the software technology intangible asset. During the year £20K (2016: £8K) was credited to the Statement of Comprehensive income (see note 9).

5. Operating segments

The following segment information has been prepared in accordance with IFRS 8, “Operating Segments”, which defines the requirements for the disclosure of financial information of an entity’s operating segments. IFRS 8 follows the management approach, which is the basis for decision making within the Group.

The Board consider the Group on a business division basis. Reports by business division are used by the chief decision-maker in the Group. Significant operating segments are: Ingenta Commercial products; Ingenta Content products; PCG and Ingenta Advertising. This split of business segments is based on the products and services each offer.

Ingenta Commercial products are enterprise level publishing management systems. Ingenta Content products help content providers sell their content online. PCG provides consultancy services in sales and marketing to publishers. Ingenta Advertising provides a complete browser based multimedia advertising, CRM and sales management platform for content providers.

The reported operating segments derive their revenues from the revenue streams reported in the revenue analysis in note 2. A further discussion of revenue streams within each division is included on pages 4 to 10. All revenues are derived from trade with external parties.

Property, plant and equipment is held in the UK £106K (2016: £129K) and the USA £34K (2016: £74K).

Two customers contributed more than 10% of revenue (2016: one) and this amounted to £3,502K (2016: £1,859K). The Group’s operations are located in the United Kingdom, North America, Brazil, Mexico, India, China and Australia. Any transactions between business divisions are on normal commercial terms and conditions.

Segment information by business unit is presented below.

Year to 31 December 2017	Ingenta Commercial products £'000	Ingenta Content products £'000	PCG £'000	Ingenta Advertising £'000	Consolidated £'000
External sales	7,611	3,654	1,372	2,058	14,695
Segment result (adjusted EBITDA, see note 6)	1,411	(181)	(239)	433	1,424
Depreciation	(137)	(66)	(9)	(37)	(249)
Unallocated corporate income					178
Restructuring					(301)
Foreign exchange gain					(122)
Operating profit					930
Share of profit from equity accounted investment					(99)
Finance costs					(31)
Profit before tax					800
Tax					185
Profit after tax					985

Other information	Ingenta Commercial products £'000	Ingenta Content products £'000	PCG £'000	Ingenta Advertising £'000	Consolidated £'000
Statement of Financial Position					
Assets					
Attributable Goodwill and intangibles	-	2,661	1,076	1,521	5,258
Property, plant and equipment	80	37	7	17	141
Segment assets	3,826	1,754	606	797	6,983
Unallocated corporate assets					335
Consolidated total assets					12,717
Liabilities					
Segment liabilities	3,360	1,540	801	700	6,401
Unallocated corporate liabilities					16
Consolidated total liabilities					6,417
Total equity and liabilities					12,717

Year to 31 December 2016	Ingenta Commercial products £'000	Ingenta Content products £'000	PCG £'000	Ingenta Advertising £'000	Consolidated £'000
External sales	8,461	3,926	2,111	706	15,204
Segment result (adjusted EBITDA, see note 6)	800	(12)	211	270	1,269
Depreciation	(148)	(69)	(5)	(12)	(234)
Unallocated corporate income					1
Restructuring					(608)
Foreign exchange gain					288
Operating loss					716
Share of profit from equity accounted investment					170
Finance costs					(25)
Profit before tax					861
Tax					138
Profit after tax					999

Other information	Ingenta Commercial products £'000	Ingenta Content products £'000	PCG £'000	Ingenta Advertising £'000	Consolidated £'000
Statement of Financial Position					
Assets					
Attributable Goodwill and intangibles	-	2,661	1,076	1,621	5,358
Property, plant and equipment	122	56	15	10	203
Segment assets	4,186	1,932	1,479	322	7,919
Unallocated corporate assets					11
Consolidated total assets					13,491
Liabilities					
Segment liabilities	4,862	2,244	446	374	7,926
Unallocated corporate liabilities					158
Consolidated total liabilities					8,084
Total equity and liabilities					13,491

Refer to note 11 and 12 for the estimates used in valuation of cash generating units.

In 2016 & 2017 there were no bank overdrafts. Social security and other taxation liabilities have been allocated to the relevant segments of the business.

6. Profit from operations

Profit from operations has been arrived at after charging:

	Year ended 31 Dec 17 £'000	Year ended 31 Dec 16 £'000
Research and development costs	2,066	2,208
Net foreign exchange loss / (profit)	122	(288)
Depreciation of property, plant and equipment:		
- owned assets	165	94
- assets under finance leases	84	139
Operating lease rentals:		
- land and buildings	342	303
- other	-	61
Auditor's remuneration	96	142
Restructuring costs	301	608

A more detailed analysis of auditor's remuneration on a worldwide basis is provided below

	Year ended 31 Dec 17 £'000	Year ended 31 Dec 16 £'000
Fees payable to the Group's auditor for:		
The audit of the parent Company and consolidated financial statements	20	20
For other services:		
The audit of the accounts of the subsidiaries pursuant to legislation	42	49
Taxation compliance services	33	60
Other	1	13
	96	142

A description of the work of the Audit Committee is set out in the corporate governance statement on pages 17 to 18 and includes an explanation of how auditor objectivity and independence is safeguarded when non-audit services are provided by the auditor.

An analysis reconciling the profit from operations to adjusted EBITDA is provided below.

	Year ended 31 Dec 17 £'000	Year ended 31 Dec 16 £'000
Profit from operations	930	716
Add back:		
Depreciation	249	234
(Gain) on disposal of fixed assets	-	(1)
(Gain) on revaluation of deferred consideration	(178)	-
Restructuring costs	301	608
Foreign exchange losses / (gains)	122	(288)
EBITDA before gain / loss on disposal of fixed assets, revaluation gain / loss, foreign exchange gain / loss and restructuring costs.	1,424	1,269

7. Staff numbers and costs

	Year ended 31 Dec 17 Average number	Year ended 31 Dec 16 Average number
Staff numbers:		
Operations	95	93
Sales and marketing	35	35
Administration	11	10
	141	138

Staff numbers exclude contractors

	Year ended 31 Dec 17 £'000	Year ended 31 Dec 16 £'000
Their aggregate remuneration comprised:		
Wages and salaries	7,846	8,033
Social security costs	885	888
Contribution to defined contribution plans	353	362
Health insurance	255	286
Share based payments	1	50
Other staff costs	13	18
Total staff costs	9,353	9,637

Remuneration in respect of Directors was as follows:		
Non-Executive	190	173
Executive Directors' emoluments	286	538
Company pension contributions to money purchase schemes	13	50
	489	761
Remuneration of the highest paid Director (aggregate emoluments)	216	401

Further unaudited information on Directors' remuneration is provided in the Directors' remuneration report. Key management personnel within the business are considered to be the Board of Directors. Pension contributions of £9K were paid in respect of the highest paid Director (2016: £41K). There were two (2016: two) Directors in a money purchase pension scheme.

The Group operates defined contribution retirement benefit schemes for all qualifying employees. The assets of the scheme are held separately from those of the Group in an independently administered fund.

The total cost charged to income of £353K (2016: £362K) represents contributions payable to these schemes by the Group at rates specified in the rules of the plans. As at 31 December 2017, contributions of £56K (2016: £41K) due in respect of the current reporting period were included in the Statement of Financial Position for payment in January 2018.

The Group operates an Unapproved EMI Share Option plan. A charge of £1K (2016: £50K) has been recognised in the income statement during the year. Further details on share options are included in note 23.

8. Finance costs

	Year ended 31 Dec 17 £'000	Year ended 31 Dec 16 £'000
Interest payable:		
Interest on bank overdraft and loans	-	9
Interest on finance leases	23	16
Interest on other loans	8	-
	31	25

9. Tax

	Year ended 31 Dec 17 £'000	Year ended 31 Dec 16 £'000
Analysis of credit in the year		
Current tax:		
Current research and development tax credit – UK	180	150
Current year State tax – US	(8)	(5)
Adjustment to prior year charge – UK	(7)	(15)
Deferred tax credit	20	8
Taxation	185	138

The Group has unutilised tax losses at 31 December 2017 in the UK and the USA of £15m (2016: £15.0m) and $15.9m (2016: $17.8m) respectively. These losses are still to be agreed with the tax authorities in the UK and USA. The Board intends to make use of all losses wherever possible.

The US tax losses are restricted to $491K per annum as a result of change of control legislation. Losses carried forward from the change of control in April 2008 are restricted and must be used within 20 years. The Board believes the Group will be able to make use of $8.7m (2016: $10.8m) of the total unutilised losses at 31 December 2017.

No deferred tax has been recognised in accordance with advice from US tax accountants on the basis that the US losses are restricted and there is uncertainty on the value of losses which will be able to be used.

No deferred tax assets have been recognised in relation to any other Group tax losses due to uncertainty over their recoverability.

The differences are explained below:

Reconciliation of tax credit	Year ended 31 Dec 17 £'000	Year ended 31 Dec 16 £'000
Profit / (loss) on ordinary activities before tax	800	861
Tax at the UK corporation tax rate of 19.25% (2016 20%)	154	172
Expenses not deductible for tax purposes	2	4
Additional deduction for Research and Development expenditure	(284)	(311)
Surrender of losses Research and Development tax credit refund	69	55
Unrelieved UK losses carried forward	-	47
Utilisation of UK losses	(56)	-
Utilisation of US losses	(76)	(105)
Difference in timing of allowances	(9)	17
Adjustment to tax charge in respect of prior years	7	15
Refund of deferred tax liability	(19)	1
Effect of foreign tax rates	8	1
Unrelieved China losses carried forward	19	(34)
Total taxation	(185)	(138)

United Kingdom Corporation tax is calculated at 19.25% (2016: 20%) of the estimated assessable profit for the year.

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

10. Earnings per share and dividends

Earnings per share

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive ordinary share options. Management estimate 125,000 ordinary shares will be issued (2016: 134,000) in respect of share options.

	Year ended 31 Dec 17 £'000	Year ended 31 Dec 16 £'000
Attributable profit	985	999
Weighted average number of ordinary shares used in basic earnings per share ('000)	16,920	16,568
Shares deemed to be issued in respect of share based payments	125	134
Weighted average number of ordinary shares used in dilutive earnings per share ('000)	17,045	16,702
Basic profit per share arising from both total and continuing operations	5.82p	6.03p
Diluted profit per share arising from both total and continuing operations	5.78p	5.98p

Dividends

After the year end, the directors declared their intention to pay a dividend of 1.5 pence per share. No liability in this respect has been recognised in 2017.

11. Goodwill

	Year ended 31 Dec 17 £'000	Year ended 31 Dec 16 £'000
Gross carrying amount		
Balance at 1 January	4,900	3,737
Acquired through business combination	-	1,163
Total goodwill	4,900	4,900

As at 31 December 2016 the goodwill reported in the Group accounts arose from the reverse acquisition of Ingenta plc in 2007. The acquired goodwill in 2016 resulted from the acquisition of 5 Fifteen Limited. Goodwill is reviewed at the end of each financial period for impairment.

At the year end, management carried out an impairment review of goodwill attached to each business unit. Following that review, management are of the opinion that no impairment has taken place. In its review of other assets, management is also of the opinion that the carrying value of such assets is reasonably stated and that no impairment has occurred.

For the purpose of annual impairment testing, goodwill is allocated to the following cash-generating units (CGUs), which are the units expected to benefit from the synergies of the business combinations in which the goodwill arises.

	Year ended 31 Dec 17 £'000	Year ended 31 Dec 16 £'000
Content Products division	2,661	2,661
PCG	1,076	1,076
Advertising division	1,163	1,163
Total goodwill	4,900	4,900

The recoverable amounts of the cash generating units were determined based on value in use calculations for the next five years which management believe will reflect the minimum period during which the business will benefit from the resulting cash generation.

The value in use calculation is based on the latest 5-year forecast for the Group. Over 60% of the revenue is regarded as recurring and unlikely to be adversely affected by technological change. Where applicable, management have assumed a forecast growth rate of 1-100% (2016: 1-10%). Content Products division has 100% growth rates in one time-based revenue stream because base-line activity in 2017 was low and management expect a new sale will double revenues in 2018.

Details are shown below.

	PCG %	Content Products Division %	Advertising Division %
Content sales revenue growth	2-5	-	-
GO! product hosting revenue growth	-	5	-
Hosting revenue growth	-	5-100	1-2
Time-based service revenue growth	-	2-5	2
Cost base growth	1-2	1-2	1-2

Although management have determined the value in use calculations based on the next 5-year forecast management recognise that a period in excess of five years is relevant in determining the value in use and consider that an average growth percentage of 2% would be applicable after year five. Management consider that extrapolating using this growth percentage would increase the value in use and therefore no impairment would result.

	PCG £000	Content Division £000	Advertising Division £000	Total £'000
Carrying amount	1,076	2,661	1,163	4,900
Recoverable amount	2,162	4,045	2,734	8,941
5-year gross profit reduction for fair value to equal carrying amount	1,800	2,300	2,600	6,700

Management assumptions include stable profit margins based on past experience in this market which the management see as the best available information for the market. Management consider a pre-tax discount factor of 10% will reflect the CGU's cost of capital during the review period (2016: 10%) and that this is applicable to all cash-generating units. The discount factor has changed due to significant changes in the business profile which required a recalculation to be performed.

The key assumption in the recoverable amount calculations is gross profit. This item can reasonably be expected to change, and the table above shows the total 5-year reduction in gross profit that would be required for the recoverable amount to be equal to the carrying amount.

12. Other Intangibles

	Acquired Software Technology £'000
Cost	
At 1 January 2016	-
Acquisition through business combination	500
At 31 December 2016	500
At 31 December 2017	500
Accumulated amortisation and impairment	
At 1 January 2016	-
Amortisation	42
At 31 December 2016	42
Amortisation	100
At 31 December 2017	142
Carrying amount	
At 31 December 2015	-
At 31 December 2016	458
At 31 December 2017	358

The cost of the acquired software was calculated by discounting expected cashflows from the acquired advertising software business over a 5 year period. Management expect a minimum of 5 years useful life from the product as current customers are on long term contracts and any customer migrations are very protracted in nature.

The discount rates used in the calculation of intangibles was 10%.

Amortisation has been charged on a straight-line basis from date of acquisition. All amortisation and impairment charges are included within depreciation, amortisation and impairment of non-financial assets.

13. Property, plant and equipment

	Leasehold improvements £'000	Fixtures and fittings £'000	Computer equipment £'000	Total £'000
Cost				
At 1 January 2016	23	274	2,129	2,426
Additions	-	7	119	126
Disposals	-	-	(326)	(326)
Transfers in	-	16	171	187
Exchange differences	1	41	162	204
At 31 December 2016	24	338	2,255	2,617
Additions	-	-	91	91
Disposals	-	-	(27)	(27)
Transfers in	-	-	-	-
Exchange differences	-	(21)	(85)	(106)
At 31 December 2017	24	317	2,234	2,575
Accumulated depreciation and impairment				
At 1 January 2016	20	250	1,917	2,187
Charge for the year	1	21	169	191
Disposals	-	-	(326)	(326)
Transfers in	-	10	163	173
Exchange differences	-	38	151	189
At 31 December 2016	21	319	2,074	2,414
Charge for the year	1	9	140	150
Disposals	-	-	(27)	(27)
Exchange differences	-	(21)	(81)	(102)
At 31 December 2017	22	307	2,106	2,435
Carrying amount				
At 31 December 2017	2	10	128	140
At 31 December 2016	3	19	181	203
At 31 December 2015	3	36	200	239

Assets held under finance leases with a net book value of £27K (2016: £113K) are included in property, plant and equipment and £84K (2016: £139K) of depreciation was charged on these assets in the year, see note 20 for further details.

14. Trade and other receivables

Trade and other receivables comprise the following:

	As at 31 Dec 17 £'000	As at 31 Dec 16 £'000	As at 31 Dec 15 £'000
Trade receivables - gross	2,817	3,716	3,256
Allowance for credit losses	(19)	(45)	(18)
Trade receivables - net	2,798	3,671	3,238
Other receivables	116	153	96
Accrued income	1,418	1,189	588
Financial assets (loans and receivables)	4,332	5,013	3,922
Prepayments	356	372	312
Non-financial assets	356	372	312
Trade and other receivables	4,688	5,385	4,234

All amounts are short term. The Directors consider that the carrying amount of trade and other receivables approximates to their fair value.

Trade receivables at the reporting date comprise amounts receivable from the sale of goods and services of £2.8m (2016: £3.7m, 2015: £3.3m).

The average credit period taken on sales of goods is 58 days (2016: 62 days, 2015: 64 days).

All of the Group's trade and other receivables have been reviewed for indicators of impairment. Certain trade receivables were found to be individually impaired and an allowance for credit losses of £19K (2016: £45K, 2015: £18K) has been recorded accordingly within "sales and marketing" in the statement of comprehensive income. This allowance has been determined by reference to expected receipts.

The movement in the allowance for credit losses can be reconciled as follows:

	As at 31 Dec 17 £'000	As at 31 Dec 16 £'000	As at 31 Dec 15 £'000
Balance as at 1 January	45	18	188
Amounts written off (collected)	(45)	(8)	(188)
Additional allowance in year	19	35	18
Balance as at 31 December	19	45	18

15. Investments classified as held for sale

	As at 31 Dec 17 £'000	As at 31 Dec 16 £'000	As at 31 Dec 15 £'000
49% investment held in BIDPT	320	-	-

During 2017, the Group decided to concentrate its efforts on the core product set and pursue opportunities to sell its holding in BIDPT. For further details see note 3.

16. Cash and cash equivalents

	As at 31 Dec 17 £'000	As at 31 Dec 16 £'000	As at 31 Dec 15 £'000
Cash at bank and in hand:			
Cash at bank:			
- GBP	733	576	5,758
- USD	1,134	1,215	1,371
- EUR	193	172	1,612
- CNY	70	63	65
Cash in hand – GBP	1	1	1
	2,131	2,027	8,807
Bank Overdraft – GBP	-	-	(6,730)
Net cash and cash equivalents	2,131	2,027	2,077

Net cash and cash equivalents' is used for the Statement of Group Cash Flows. The net carrying value of cash and cash equivalents is considered a reasonable approximation of fair value.

17. Trade and other payables

Trade payables and other payables principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 32 days (2016: 39 days, 2015: 46 days).

The Directors consider that the carrying amount of trade payables approximates to their fair value.

Payables falling due within one year:

	As at 31 Dec 17 £'000	As at 31 Dec 16 £'000	As at 31 Dec 15 £'000
Trade payables	539	414	415
Accruals	1,089	1,987	694
Finance lease liabilities	27	95	170
Other payables	1,230	1,293	1,817
Financial liabilities at amortised cost	2,885	3,789	3,096
Social security and other taxes	509	560	505
Non-financial liabilities	509	560	505
Trade and other payables	3,394	4,349	3,601

Included within accruals is an amount of £327K related to restructuring (2016: £476K).

18. Borrowings

	As at 31 Dec 17 £'000	As at 31 Dec 16 £'000	As at 31 Dec 15 £'000
Bank overdrafts (note 16)	-	-	6,730
Short term loans	-	-	-
Loan note	-	-	-
	-	-	6,730
On demand or within one year (shown under current liabilities)	-	-	6,730
In the second year	-	-	-

Bank overdrafts were wholly offset as at 31 December 2015 by positive bank balances held in accounts with the same bank. Interest is only charged on the net balance (if negative) of all accounts held in UK bank accounts.

Interest rates:	Year ended 31 Dec 17	Year ended 31 Dec 16	Year ended 31 Dec 15
Bank overdrafts	-	-	4% above base
Short term loans	-	-	12%
Loan note	-	-	8%
Loan Note – default interest	-	-	4%

As at 31 December 2017, there was no overdraft facility (2016 & 2015: £Nil). During the year, the average effective interest rate on bank overdrafts approximates to 0% (2016: 0%, 2015: 4.5%) per annum.

At the year-end there was no consolidated overdraft facility in place. Previously, the facility with HSBC has consisted of an overdraft which has varied from £1.5m to £3.5m during the year to 31 December 2015.

The Directors believe the carrying value of the bank overdrafts is a reasonable approximation of their fair value.

The loan notes were debt instruments.

The short-term loans were loans received from Directors, employees and related parties. Amounts due relating to Directors of the Company or other related parties are disclosed within related parties transactions (note 27).

All borrowings are measured at amortised cost. During the year, £20k was credited to the Statement of Comprehensive Income (see note 4 for further details).

Loan note

The Group redeemed the loan note and paid all interest to redemption on 15 June 2015.

Prior to redemption, the Group was in default under the loan agreement and the loan note was therefore accruing interest at 12% per annum. Interest was accrued and paid half yearly in arrears on 30 June and 31 December. The base interest rate on the loan note was 8%, however the loan note agreement stipulated that if the Group did not pay any sum payable under the agreement within 14 days of its due date, the balance owing would be subject to default interest. Default interest was set at 4% above the base interest rate.

19. Deferred tax

A deferred tax liability of £100K has arisen from the intangible assets recognised during the business combination in 2016. The deferred tax liability balance unwinds as the intangible asset is amortised. During the year, £20K was credited to the Statement of Comprehensive Income (see note 4 for further details).

Subject to agreement with HM Revenue and Customs, the Group has unrealised losses in the UK of £15.0m (2016: £15.0m). The Group also has unutilised losses in the USA of $15.9m (2016: $17.8m), these losses have yet to be agreed with the US tax authorities. The US tax losses have become restricted under US change of control laws after the capital raising in April 2008. At year end $8.7m (2016: $10.8m) could potentially be used going forward but due to US regulations and restrictions this is inherently uncertain. As a result, the Board believe conditions for the recognition of a deferred tax asset have not been met and consequently no deferred tax asset is recognised in respect of the losses (2016: £Nil).

20. Finance lease arrangements

The Group as lessee

Elements of the Group's IT equipment are held under finance lease arrangements. As at 31 December 2017, the net carrying amount of equipment under finance lease arrangements was £27K (2016: £113K). Finance lease liabilities are secured by the related assets. Future minimum finance lease payments are as follows:

Year ended 31 December 2017	< 1 year £'000	1 – 5 years £'000	5 years £'000	Total £'000
Lease payments	28	8	0	36
Finance charges	(1)	0	0	(1)
Net present value	27	8	0	35

Year ended 31 December 2016	< 1 year £'000	1 – 5 years £'000	5 years £'000	Total £'000
Lease payments	101	37	-	138
Finance charges	(6)	(2)	-	(8)
Net present value	95	35	-	130

The lease agreements include fixed payments and a purchase option at the end of the three year lease. The agreement is non-cancellable and does not contain any further restrictions.

21. Operating lease arrangements

The Group as lessee

At the reporting date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	As at 31 Dec 17 £'000	As at 31 Dec 16 £'000	As at 31 Dec 15 £'000
Land and buildings			
Minimum lease payments due within one year	311	457	274
Minimum lease payments due in the second to fifth years inclusive	647	975	899
Minimum lease payments due after the fifth year	-	-	148
	958	1,432	1,321
Other			
Minimum lease payments due within one year	-	-	63
Minimum lease payments due in the second to fifth years inclusive	-	-	2
	-	-	65

Operating leases for Land and Buildings represent contracts on the following offices: Oxford, UK; Bath, UK; Slough, UK; Somerset, NJ, USA, New Brunswick, NJ, USA; and Boston, MA, USA. Other Operating leases represent car leases, photocopier leases and sundry equipment leases.

The Group's operating lease agreements do not contain any contingent rent clauses. None of the operating lease agreements contain renewal or purchase options or escalation clauses or any restrictions regarding dividends, further leasing or additional debt.

22. Share capital

	As at 31 Dec 17 £'000	As at 31 Dec 16 £'000	As at 31 Dec 15 £'000
Issued and fully paid:			
16,919,609 (2016: 16,919,609, 2015: 16,319,609) ordinary shares of 10p each	1,692	1,692	1,632

Share issues

There were no shares issued during the year (2016: issued 600,000 ordinary shares of 10p each at an issue price of 130p raising £0.78m before costs). A reconciliation of the movements in share capital is shown within the Group and Company Statements of Changes in Equity.

23. Share options

The Group have an unapproved Executive Management Incentive (EMI) share option scheme and had an approved scheme which closed in 2015. Further details on both schemes are detailed below.

Unapproved EMI scheme

This scheme is part of the remuneration package of the Group's senior management. Options will vest if certain conditions, as defined in the scheme, are met. It is based on Group performance compared to budget over a 3 year period and one third of the options will vest in each of the 3 reporting periods if the performance targets are met in that period. Participating employees have to be employed at the end of each period to which the options relate. Upon vesting, each option allows the holder to purchase ordinary shares at the market price on date of grant.

Share options and weighted average exercise prices are as follows:

	Number of shares	Weighted average exercise price per share (£'s)
Outstanding at 1 January 2016	-	-
Granted	556,000	1.27
Lapsed	(155,000)	1.27
Outstanding at 31 December 2016	401,000	1.27
Granted	65,000	1.56
Lapsed	(25,000)	1.30
Outstanding at 31 December 2017	441,000	1.31

The fair value of options granted were determined using the Black Scholes method. The following principle assumptions were used in the valuation:

Grant date	January 2016	February 2016	August 2016	September 2017
Vesting period ends	31 Dec 16	31 Dec 16	31 Dec 16	31 Dec 18
	31 Dec 17	31 Dec 17	31 Dec 17	31 Dec 19
	31 Dec 18	31 Dec 18	31 Dec 18	31 Dec 20
Share price at grant	£1.27	£1.27	£1.30	£1.56
Volatility	26%	26%	16%	16%
Risk free investment rate	5%	5%	5%	5%
Fair value of option – 31 December 2016 vesting period	18p	18p	9p	-
Fair value of option – 31 December 2017 vesting period	26p	26p	17p	-
Fair value of option – 31 December 2018 vesting period	32p	32p	23p	16p
Fair value of option – 31 December 2019 vesting period	-	-	-	24p
Fair value of option – 31 December 2020 vesting period	-	-	-	31p

The underlying volatility was determined with reference to the historical data of the Company's share price. In total £1K (2016: £50K) of employee remuneration expense has been included in the profit for the year and credited to retained earnings.

Approved scheme

The Group had an approved option scheme, which was an HM Revenue and Customs approved scheme, available to eligible Directors and employees. As at 31 December 2017, no options are outstanding which have been granted and not exercised or lapsed. (2016 & 2015: Nil).

The approved option scheme is now out with the operative period of 10 years from adoption date as set down in the scheme rules. Therefore, no more options will be granted under this approved scheme and it was closed before 31 December 2015.

24. Investment in own shares

Investment in own shares relates to shares held by the Spread Trustee Company Limited as trustees of the Vista International Limited 1998 Employee Share Ownership Trust. The trust holds shares in which employees have a beneficial interest and over which employees hold fully vested options to purchase.

The Group is deemed to have control of the assets, liabilities, income and costs of the trust.

As at 31 December 2017 all options had either lapsed or been exercised and no shares remained in the trust.

	Ingenta Shares held in trust Number	Treasury Shares Number	Nominal value £	Cost £
At 31 December 2015	30,322	-	3,032	907
At 31 December 2016	-	-	-	-
At 31 December 2017	-	-	-	-

25. Notes to the cash flow statement

Bank balances and cash comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less. The carrying amount of these assets approximates their fair value. Refer to note 16 ‘cash and cash equivalents’. The initial recognition of finance lease liabilities are non-cash transactions excluded from the statement of cash flows.

During the year, cash was transferred between Group accounts to ensure all overdrafts were paid down. This had no effect on the net cash position at year end.

26. Contingent liabilities

There were no contingent liabilities at 31 December 2017, 31 December 2016 or 31 December 2015.

27. Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation.

Remuneration of key management personnel

The remuneration of the Directors, who are the key management personnel of the Group, is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures. Further information about the remuneration of individual Directors is provided in the Directors’ remuneration report on page 19.

	Year ended 31 Dec 17 £’000	Year ended 31 Dec 16 £’000	Year ended 31 Dec 15 £’000
Short term employee benefits	489	549	463

Directors’ transactions

The amounts outstanding as at 31 December 2017 relate to amounts due from Ingenta plc to Directors in connection with invoiced Non-Executive fees.

	As at 31 Dec 17 £’000	As at 31 Dec 16 £’000	As at 31 Dec 15 £’000
Amounts outstanding with Directors	28	259	184

Short term loans

There were no short-term loan transactions in 2017, all balances were settled in 2015.

£200K was borrowed from the directors in March 2015 and £200K in May 2015.

All short-term loans were repaid in full with interest on 15 June 2015.

All short-term loans had an interest rate of 12% per annum.

Loan notes

There were no loan note transactions in 2017, all balances were settled in 2015.

Prior to redemption in 2015, the note holder of the £1.5m loan notes was a trust in which M C Rose, the Non-Executive Chairman of the Group, is a trustee. Interest of £83K was accrued and paid in the year to 31 December 2015.

Joint Venture transactions

The Joint Venture loan amounts to £149K (2016: £149K). During the year, the Joint Venture provided services to the company of £Nil (2016: £65K) and was paid £Nil (2016: £26K).

28. Financial risk management

The Group is exposed to various risks in relation to financial assets and liabilities. The main types of risk are foreign currency risk, interest rate risk, market risk, credit risk and liquidity risk.

The Group's risk management is closely controlled by the Board and focuses on actively securing the Group's short to medium term cash flows by minimising the exposure to financial markets. The Group does not actively trade in financial assets for speculative purposes nor does it write options. The most significant financial risks are currency risk and certain price risks.

Foreign currency sensitivity

The Group trades in Sterling (GBP), US Dollars (USD) and Euros (EUR). Most of the Group's transactions are carried out in Sterling and US Dollars. Exposure to currency exchange rates arise from the Group's overseas sales and purchases, which are primarily in USD, through the trading divisions in the USA (Ingenta Inc. and Publishers Communication Group Inc.). The Group does not borrow or invest in USD other than an intercompany loan denominated in USD between Vista International Ltd and Vista North America Holdings Ltd, the currency movement on which offsets within the Group Statement of Comprehensive Income.

In order to mitigate the Group's foreign currency risk, non-GBP cash flows are monitored and excess USD and EUR not required for foreign currency expenditure are translated into GBP on an on-going basis. The Group is a net importer of USD being cash flow positive by approximately $2.5m per annum. No further hedging activity is undertaken. The Group does not enter into forward exchange contracts.

Foreign currency denominated financial assets and liabilities, translated into GBP at the closing rate, are as follows:

	Short-term exposure USD £'000	Long-term exposure USD £'000
31 December 2017		
Financial assets	1,209	-
Financial liabilities	(1,080)	-
Total exposure	129	-
31 December 2016		
Financial assets	1,679	-
Financial liabilities	(1,401)	-
Total exposure	278	-

The following table illustrates the sensitivity of profit and equity with regard to the Group's financial assets and financial liabilities and the USD / GBP exchange rate "all other things being equal". Transactions in EUR are immaterial and therefore movements of the EUR / GBP exchange rate have not been analysed.

It assumes a + / - 10% change of the USD / GBP exchange rate for the year ended 31 December 2017 (2016: 10%). This percentage has been determined based on the average market volatility in exchange rates in the previous 12 months. The sensitivity analysis is based on the Group foreign currency financial instruments held at each reporting date.

If GBP had strengthened against USD by 10% (2016: 10%) then this would have had the following impact:

	Profit for the year USD £'000	Equity USD £'000
31 December 2017	(64)	(110)
31 December 2016	(94)	(153)

If GBP had weakened against USD by 10% (2016: 10%) then this would have had the following impact:

	Profit for the year USD £'000	Equity USD £'000
31 December 2017	78	135
31 December 2016	115	187

Exposures to foreign exchange rates vary during the year depending on the volume of overseas transactions. Nonetheless, the analysis above is considered to be representative of the Group's exposure to currency risk.

Interest rate sensitivity

The Group's policy is to minimise interest rate cash flow risk exposures on long term financing. Long term borrowings are therefore usually at fixed rates. At 31 December 2017 the Group is exposed to changes in market interest rates through bank borrowings at variable interest rates. Other borrowings (being the loans see note 18) are at fixed interest rates.

The following table illustrates the sensitivity of profit and equity to a reasonably possible change in interest rates of + / - 1%. These changes are considered to be reasonably possible based on market movements and current market conditions. The calculations are based on a change in the average market interest rate for each year, and the financial instruments held at each reporting date that are sensitive to changes in interest rates. All other variables are held constant.

	Profit for the year and Equity £'000 + 1%	Profit for the year and Equity £'000 - 1%
31 December 2017	-	-
31 December 2016	-	-
31 December 2015	(17)	39

Credit risk analysis

The Group's maximum exposure to credit risk is limited to the carrying amount of financial assets recognised at the reporting date, as summarised below:

	2017 £'000	2016 £'000	2015 £'000
Cash and cash equivalents (note 16)	2,131	2,027	8,807
Trade receivables - net (note 14)	2,798	3,671	3,238
	4,929	5,698	12,045

The Group continuously monitors defaults of customers and incorporates this information into its credit risk controls. Where available at reasonable cost, external credit ratings and reports on customers are used. The Group's policy is only to deal with creditworthy customers.

The Group's management considers that the financial assets above, that are not impaired or past due for each of the reporting dates under review, are of good credit quality.

None of the Group's financial assets are secured by collateral or other credit enhancements.

Some of the unimpaired trade receivables are past due at the reporting date.

Financial assets not impaired can be shown as follows:

	2017 £'000	2016 £'000	2015 £'000
Not more than 3 months	2,604	3,454	2,742
More than 3 months but less than 6 months	213	262	308
More than 6 months but not more than 1 year	-	-	154
More than 1 year	-	-	52
	2,817	3,716	3,256

In respect of trade and other receivables, the Group is not exposed to any significant credit risk from any single customer or group of customers having the same characteristics. Trade receivables consist of a large number of customers in different sectors of the market and geographical locations.

The carrying amount of financial assets whose terms have been renegotiated, that would otherwise be past due or impaired is £Nil (2016 & 2015: £Ni).

The credit risk for cash and cash equivalents is considered negligible, since the funds are held with various reputable banks.

Liquidity risk analysis

The Group manages its liquidity needs by monitoring scheduled debt repayments for long term financial liabilities as well as forecast cash flows due in day to day business. Liquidity needs are monitored in various time bands. Short term cash flow is monitored daily using known daily inflows and outflows for cash within 8 to 12 weeks. Medium term cash flows within 12 months are monitored using monthly rolling forecast data. Longer term cash flows are monitored using higher level management strategy documents. Net cash requirements are compared to cash balances and forecast in order to determine headroom or any shortfalls. This analysis shows if available cash is expected to be sufficient over the lookout period of 15 months to March 2019.

The Group maintains sufficient cash balances and enters into finance lease arrangements to meet its liquidity requirements for the medium-term forecast period (1 year).

As at 31 December 2017, the Group's financial liabilities have contractual maturities (including interest payments where applicable) as summarised below:

	Current £'000		Non-current £'000	
31 December 2017:	Within 6 months	6 to 12 months	1 to 5 years	Later than 5 years
Bank borrowings (note 18)	-	-	-	-
Finance lease obligations	15	15	6	-
Trade and other payables (note 17)	2,858	-	-	-
Total	2,873	15	6	-

This compares to the Group's financial liabilities in the previous reporting period as follows:

	Current £'000		Non-current £'000	
31 December 2016:	Within 6 months	6 to 12 months	1 to 5 years	Later than 5 years
Bank borrowings (note 18)	-	-	-	-
Finance lease obligations	50	50	38	-
Trade and other payables (note 17)	3,694	-	-	-
Total	3,744	50	38	-

The above amounts reflect the contractual undiscounted cash flows, which may differ to the carrying value of the liabilities at the reporting date. Where the customer has a choice of when an amount is paid the liability has been included on the earliest date on which payment can be required.

The carrying amounts presented in the statement of financial position relate to the following categories of assets and liabilities.

An analysis of the Group's assets is set out below:

	As at 31 December 2017			As at 31 December 2016		
	Loans and receivables £'000	Non-financial assets £'000	Total for financial position heading £'000	Loans and receivables £'000	Non-financial assets £'000	Total for financial position heading £'000
Trade receivables	2,798	-	2,798	3,671	-	3,671
Other receivables	116	-	116	153	-	153
Prepayments and accrued income	1,418	356	1,774	1,189	372	1,561
Cash and cash equivalents	2,131	-	2,131	2,027	-	2,027
	6,463	356	6,819	7,040	372	7,412

An analysis of the Group's liabilities is set out below:

	As at 31 December 2017			As at 31 December 2016		
	Loans and receivables £'000	Non-financial assets £'000	Total for financial position heading £'000	Loans and receivables £'000	Non-financial assets £'000	Total for financial position heading £'000
Trade payables	539	-	539	414	-	414
Social security and other taxes	-	509	509	-	652	652
Finance leases	-	72	72	-	130	130
Other payables	-	35	35	1,293	-	1,293
Accruals	1,230	-	1,230	1,987	-	1,987
Deferred income	1,089	-	1,089	-	3,608	3,608
Bank overdrafts	-	2,943	2,943	-	-	-
	2,858	3,559	6,417	3,694	4,390	8,084

29. Capital management policies and procedures

The Group's capital management objectives are:

- To ensure the Group's ability to continue as a going concern; and
- To provide an adequate return to shareholders

The Group monitors capital on the basis of the carrying amount of equity plus any loan notes less cash and cash equivalents. The Group's goal in capital management is a capital to overall financing ratio of 1:6 to 1:4.

The Group sets the amount of capital in proportion to its overall financing structure, i.e., equity and financial liabilities other than loan notes. The Group manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amounts of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

Capital for the reporting periods under review is summarised as follows:

	2017 £'000	2016 £'000	2015 £'000
Total equity	6,300	5,407	3,726
Loan notes	-	-	-
Short term loans	-	-	-
Cash and cash equivalents	(2,131)	(2,027)	(2,077)
Capital	4,169	3,380	1,649
Total equity	6,300	5,407	3,726
Borrowings	-	-	6,730
Overall financing	6,300	5,407	10,456
Capital to overall financing ratio	0.66	0.63	0.16

30. Post balance sheet events

On the 26th January 2018, the Board proposed a court approved reduction of capital and invited shareholders to vote on the resolution at a General Meeting held on 19th February 2018. This resolution was successfully passed and at a Court hearing on the 27th March the reduction of capital was approved and became effective that day. As a result of this, the Company's distributable reserves have increased by £8,999K.

The Board declared its intention to pay an interim dividend of 1.5 pence per share which is dependent on the successful outcome of the Capital Reduction detailed above. The dividend has not been included in the results for the year and is subject to shareholder approval at the forthcoming AGM.

Company statement of financial position

	note	31 Dec 17 £'000	31 Dec 16 £'000	Restated 31 Dec 15 £'000
Non-current assets				
Investments	4	4,310	4,309	3,269
Current assets				
Trade and other receivables	5	7,620	9,504	3,765
Cash and cash equivalents		82	110	5,785
		7,702	9,614	9,550
Total assets		12,012	13,923	12,819
Equity				
Called up share capital	7	1,692	1,692	1,632
Share premium account		8,999	8,999	8,294
Share option reserve		51	50	-
Retained earnings		(299)	1,435	1,668
Total Equity		10,443	12,176	11,594
Current liabilities				
Trade and other payables	6	1,569	1,747	1,225
Non-current liabilities				
Borrowings	8	-	-	-
Total liabilities		1,569	1,747	1,225
Total equity and liabilities		12,012	13,923	12,819

The loss recognised in the year was £1,565K (2016: £233K)

The financial statements were approved by the Board of Directors and authorised for issue on 28 March 2018 and were signed on its behalf by:

J R Sheffield
Director

D R Montgomery
Director

Registered number: 837205

The accompanying notes form part of these financial statements.

Company statement of changes in equity

For the year ended 31 December 2017

	Share capital £'000	Share premium £'000	Share option reserve £'000	Retained earnings £'000	Total £'000
Balance at 1 January 2017	1,692	8,999	50	1,435	12,176
Dividends paid	-	-	-	(169)	(169)
Share options granted	-	-	1	-	1
Transaction with owners	-	-	1	(169)	(168)
Loss for the year	-	-	-	(1,565)	(1,565)
Total comprehensive income / (expense) for year	-	-	1	(1,734)	(1,733)
Balance at 31 December 2017	1,692	8,999	51	(299)	10,443

For the year ended 31 December 2016

	Share capital £'000	Share premium £'000	Share option reserve £'000	Retained earnings £'000	Total £'000
Balance at 1 January 2016	1,632	8,294	-	1,668	11,594
Share issue	60	705	-	-	765
Share options granted	-	-	50	-	50
Transaction with owners	60	705	50	-	815
Loss for the year	-	-	-	(233)	(233)
Total comprehensive income / (expense) for year	60	705	50	(233)	582
Balance at 31 December 2016	1,692	8,999	50	1,435	12,176

Company statement of cash flows

	note	Year ended 31 Dec 17 £'000	Year ended 31 Dec 16 £'000
Loss before taxation		(1,565)	(233)
Adjustments for			
(Increase) in trade and other receivables		1,884	(6,779)
(Decrease) / increase in trade and other payables		(179)	522
Share based payment expense		1	50
Cash inflow / (outflow) from operations		141	(6,440)
Cash flows from financing activities			
Costs associated with share raising		-	(15)
Share raising proceeds		-	780
Dividend paid		(169)	-
Net cash used / (from) financing activities		(169)	765
Net (decrease) in cash and cash equivalents		(28)	(5,675)
Cash and cash equivalents at the beginning of the year		110	5,785
Cash and cash equivalents at the end of the year		82	110

The accompanying notes form part of these financial statements.

Notes to the Company financial statements

1. Accounting Policies

Statement of compliance

These financial statements have been prepared in accordance with IFRS.

Accounting policies

A summary of the principal Company accounting policies, which have been applied consistently, is set out below.

Investments
Investments held as fixed assets are stated at cost less any provision for impairment in value. The Directors do not believe the investments have been impaired based on the findings of the wider impairment review detailed in note 11 of the Group accounts.

Borrowings
Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Going concern
The accounts are prepared on a going concern basis. In assessing whether the going concern assumption is appropriate, management have taken into account all relevant available information about the future including a profit and cash forecast, the continued support of the shareholders and Directors, banking facilities and management's ability to affect costs and revenues.

Management regularly forecast profit, financial position and cash flows for the Group. The rolling annual forecast is normally updated monthly.

Having reviewed the latest forecast, management regard the forecast to be robust. Revenue streams are forecast in detail with all recurring revenue contracts individually listed and ranked by firmness from firm to prospect. Management have reviewed forecast costs for reasonableness against prior years and with knowledge of expected movements and concluded that forecast costs are robust (refer to the Group Strategic report on pages 12 to 14 and the Group accounting policies).

Share options
Please refer to the Group accounting policies note for full details. Within the parent company accounts, share based payments are recorded as an increase to investments and credited to the share option reserve within equity.

Foreign currencies
Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date.

Transactions in foreign currencies during the year are recorded at a monthly estimated rate set at the beginning of each month. Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary items at year-end exchange rates are recognised in profit or loss. Non-monetary items measured at historical cost are translated using the exchange rates at the date of the transaction and not subsequently retranslated.

Deferred taxation
Provision is made for deferred taxation, using the full provision method, on all taxable temporary differences. Deferred taxation has been recognised as a liability or asset if transactions have occurred at the balance sheet date that give rise to an obligation to pay more taxation in the future, or a right to pay less taxation in the future. An asset is not recognised to the extent that the transfer of economic benefits in the future is uncertain.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted by the end of the reporting period. Deferred tax liabilities are always provided for in full.

Financial instruments
Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities.

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the balance sheet. Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability.

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited direct to equity.

Intercompany loans
Intercompany receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Intercompany payable balances are initially recognised at fair value and subsequently at amortised cost using the effective interest method.

During the year the intercompany debtor balance with Vista International Limited, a non-trading subsidiary, was considered unrecoverable and the balance of £1,960K was fully provided for.

2. Profit / Loss for the financial year

The parent Company has taken advantage of section 408 of the Companies Act 2006 and has not included its own income statement in these financial statements. The parent Company's loss for the year was £1,565K (2016: loss £233K). An audit fee of £20K was paid in respect of the parent Company audit (2016: £20K).

Tax fees for the Group of £37K (2016: £60K) have been borne by the subsidiary companies.

The Company employed two Executive Directors (2016: two), four Non-Executive Directors (2016: four) and the Non-Executive Chairman. The costs of these employees and the fees for the other Non-Executive Directors were borne by the subsidiaries.

3. Staff Numbers and Costs

	Year ended 31 Dec 17 Average number	Year ended 31 Dec 16 Average number
Staff numbers:		
Operations	7	5

	Year ended 31 Dec 17 £'000	Year ended 31 Dec 16 £'000
Their aggregate remuneration comprised:		
Wages and salaries	174	157
Other staff costs	10	10
Total staff costs	184	167

4. Investments

	As at 31 Dec 17 £'000	Restated As at 31 Dec 16 £'000
Cost		
At 1 January	4,309	3,269
Investment in 5 Fifteen Limited	-	990
Share options issued to employees of subsidiaries	1	50
At 31 December	4,310	4,309

Investments are investments in subsidiary and Joint Venture undertakings.

Details of subsidiary undertakings, in which the Company holds majority shareholdings and investments in which the Company holds significant interest and which have been consolidated and disclosed respectively in the Group financial statements, are as follows:

Company	Country of registration	Holding	Proportion held	Nature of the business
Catchword Limited	England	Ordinary shares	100%	Dormant
		Preference shares	100%	
Ingenta Limited	England	Ordinary shares	100%	Dormant
Ingenta US Holdings Inc.	USA	Ordinary shares	100%	Holding Company
Publishers Communication Group Inc	USA	Ordinary shares	100%	Marketing and Sales Consultancy
Ingenta UK Limited	England	Ordinary shares	100%	Publishing Software and Services
Ingenta Inc	USA	Ordinary shares	100%	Publishing Software and Services
Publishing Technology do Brasil LTDA	Brazil	Ordinary shares	100%	Publishing Software and Services
Publishing Technology Australia Pty Ltd	Australia	Ordinary shares	100%	Publishing Software and Services
Vista Computer Services Limited	England	Ordinary shares	100%	Dormant
Vista Computer Services LLC	USA	Ordinary shares	100%	Dormant
Vista Holdings Limited	England	Ordinary shares	100%	Dormant
Vista International Limited	England	Ordinary shares	100%	Holding Company
Vista North America Holdings Limited	England	Ordinary shares	100%	Non Trading Holding Company
Uncover Inc	USA	Ordinary shares	100%	Dormant
Beijing Ingenta Digital Publishing Technology Limited	China	Ordinary shares	49%	Publishing Software and Services
5 Fifteen Limited	England	Ordinary shares	100%	Digital Advertising Solutions
5 Fifteen Inc.	USA	Ordinary shares	100%	Digital Advertising Solutions

5. Trade and other receivables

Amounts falling due within one year	As at 31 Dec 17 £'000	As at 31 Dec 16 £'000
Other debtors:		
Amounts due from subsidiary undertakings	9,504	3,765
Movement in intercompany loans	76	5,780
Provision for intercompany debtors	(1,960)	-
Impairment	-	(41)
	7,620	9,504

During the year the intercompany debtor balance with Vista International Limited, a non-trading subsidiary, was considered unrecoverable and the balance of £1,960K was fully provided for.

6. Trade and other payables

Amounts falling due within one year	As at 31 Dec 17 £'000	As at 31 Dec 16 £'000
Other creditors:		
Amounts due to subsidiary undertakings	1,098	1,098
Accruals	471	649
	1,569	1,747

7. Share Capital

	As at 31 Dec 17 £'000	As at 31 Dec 16 £'000
Issued and fully paid:		
16,919,609 (2016: 16,319,609) ordinary shares of 10p each	1,692	1,692

Share issues

There were no share issues during the year.

The holders of ordinary shares are entitled to receive dividends from time to time and are entitled to one vote per share at meetings of the Company.

8. Borrowings

Interest rates:	Year ended 31 Dec 17	Year ended 31 Dec 16
Bank overdrafts	No facility in place	No facility in place

The Company bank accounts form part of the wider Group facility with HSBC. These accounts are linked and any facility limit is based on the net balance of all Group accounts taken together. There was no net Group overdraft facility in place during 2017.

There were no overdrafts at year-end (2016: £Nil).

9. Related party transactions

Other related party transactions

Please refer to note 27 of the Group financial statements.

A summary of related party transactions and balances is shown herein:

	As at 31 Dec 16 £'000	Recharges £'000	Impairment £'000	Provision £'000	As at 31 Dec 17 £'000
Ingenta UK Limited	6,926	(77)	-	-	6,849
Ingenta Inc	443	150	-	-	593
Publishers Communication Group Inc.	177	2	-	-	179
Vista International Limited	1,960	-	-	(1,960)	0
Catchword Limited	(429)	-	-	-	(429)
Ingenta US Holdings Inc.	(669)	-	-	-	(669)
	8,408	75	-	(1,960)	6,523

10. Financial assets and liabilities

An analysis of the company's assets is set out below:

	As at 31 December 2017			As at 31 December 2016		
	Loans and receivables £'000	Non-financial assets £'000	Total for financial position heading £'000	Loans and receivables £'000	Non-financial assets £'000	Total for financial position heading £'000
Other receivables	7,620	-	7,620	9,504	-	9,504
Cash and cash equivalents	82	-	82	110	-	110
	7,702	-	7,702	9,614	-	9,614

The accompanying notes form part of these financial statements.

	As at 31 December 2017			As at 31 December 2016		
	Financial liabilities at amortised cost £'000	Non-financial liabilities £'000	Total for financial position heading £'000	Financial liabilities at amortised cost £'000	Non-financial liabilities £'000	Total for financial position heading £'000
Other payables	1,098	-	1,098	1,098	-	1,098
Accruals	471	-	470	649	-	649
	1,569	-	1,568	1,747	-	1,747

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